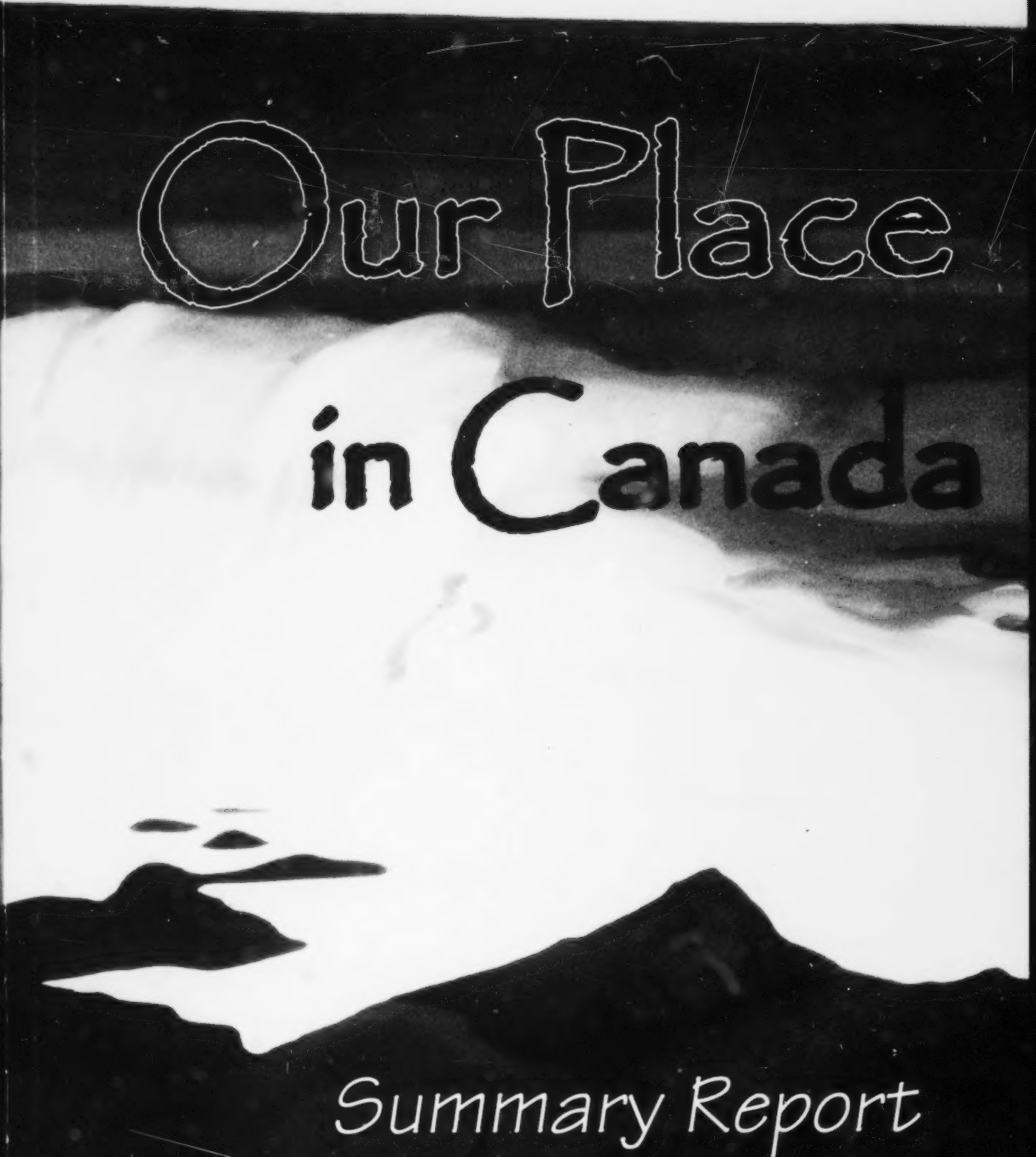
Our Place in Canada



Summary Report

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Office of the Queen's Printer
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A1C 5T4
Phone: (709) 729 - 3649

Royal Commission on Renewing and Strengthening Our Place in Canada

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Cape Spear Wave II

1993, Oil on Canvas, 36" x 72"

Royal Commission on Renewing and Strengthening Our Place in Canada

Victor L. Young
Commission Chair

Sister Elizabeth Davis
Commissioner

Judge James Igloliorte
Commissioner

Telephone: (709) 729-3200
Facsimile: (709) 729-3539

www.gov.nf.ca/royalcomm

mailbox
@royalcomm.gov.nf.ca

FOREWORD

The Royal Commission on Renewing and Strengthening Our Place in Canada has completed its work and has submitted its Report. **This summary document contains highlights of the main Report**. It is available in Inuktitut, Innu-aimun, Mi'kmaq, English, and French as well as Braille. The complete Report, research papers and polls are published in their entirety in separate volumes and are also available at www.gov.nl.ca/royalcomm.

In the past 14 months, it has been our privilege to meet with almost 3,000 Newfoundlanders and Labradorians throughout this province and in expatriate communities. We have received valuable insights from these meetings, from written submissions and from our research program. We now present a recommended Pathway to Renewal built on the foundation of a collaborative partnership between the Government of Newfoundland and Labrador and the Government of Canada.

It has been an honour to have served on this Commission. It is our hope that the work we have done will play a part in renewing and strengthening our province's place in Canada.

Elizabeth Davis
James Igloliorte

Victor Young, O.C.
Chair

Elizabeth M. Davis, RSM
Commissioner

Hon. James Igloliorte
Commissioner

June 30, 2003

4th Floor
Baine Johnston Centre
P. O. Box 8772
St. John's, NF
A1B 3T2

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Introduction

©Reginald Shepherd
The Cape St. Francis Off Burnt Head

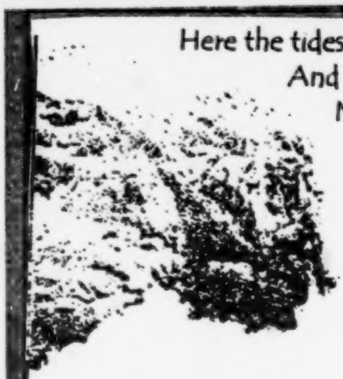
1972, Watercolour
Memorial University of Newfoundland Permanent Collection
Art Gallery of Newfoundland and Labrador, The Rooms

Introduction

The Royal Commission on Renewing and Strengthening Our Place in Canada was given the mandate to undertake a critical analysis of our province's strengths and weaknesses, and to make recommendations as to how best to achieve prosperity and self-reliance, with the final goal of renewing and strengthening our place in Canada (see Appendix A). In carrying out that mandate, the Commission listened to Newfoundlanders and Labradorians of all ages and backgrounds within and outside the province.

More than 2,500 Newfoundlanders and Labradorians met personally with the Commissioners as they traveled across the Island and Labrador and as they visited expatriates in Fort McMurray and Toronto. They met people in urban and rural settings, in schools and women's centres and public meeting places, in coastal and inland communities. The Commission brought together representatives from the length and breadth of the province in roundtables focused on specific issues and in dialogues centered on our future. It received written submissions from nearly 250 individuals and organizations. The Commission also developed a research program that produced twenty-eight research papers and two polls, one national and one provincial. The Appendices in the complete Report describe the processes used and list the research papers. Notes documenting the sources used in this Summary are to be found in the main Report.

The Commission identified six principles that permeated almost every conversation or written text. The principles can be expressed as follows: *a passion for this place* – the passion for Newfoundland and Labrador is the source of the energy we will need to renew and strengthen our place in Canada (see the Afterword at the end of this Report); *a new way of thinking* – everyone with whom the Commission spoke called for a new way of thinking about ourselves, our kinds of work and our place in Canada; *a new kind of relating* – we believe that we can work to create new alliances and partnerships within this province, with the federal government and with other provinces and other Canadians; *a belief in ourselves* – we are now ready to reclaim the spirit that commits us to "do it ourselves," to take responsibility for our own destiny and to have the courage to make hard choices for a better future; *a time for action* – the creation of a new, vibrant province that offers hope to its residents is the outcome of deliberate decisions and sustained action; and *a determined hope for the future* – with a vision for a renewed place and the hope that it can be attained, people will be able to build on the strengths that the Commission saw everywhere it traveled and in everyone it met. The intent of the Commission's Report is to assess the realities of the present moment in our province and to suggest a direction that will lead to a renewed and strengthened place in Canada.



Here the tides flow,
And here they ebb;
Not with that dull, unsinewed tread of waters
Held under bonds to move
Around unpeopled shores –
Moon-driven through a timeless circuit
Of invasion and retreat;
But with a lusty stroke of life
Pounding at stubborn gates,
That they might run
Within the sluices of men's hearts ,
Leap under the throb of pulse and nerve,
And teach the sea's strong voice
To learn the harmonies of new floods

E.J. Pratt
Excerpt from *"Newfoundland"*

"Getting rid of the "poor cousin" myth must start at home. It must start with a new mindset and vision for our future that is not simply held by government, but by all of us Newfoundlanders and Labradorians."

Excerpt from the Public Consultations

The assets [of Newfoundland and Labrador], or at least their relevance, may change over time, but at the moment they consist of very significant natural resources, some of which are available in only one or two other parts of Canada; a rapidly growing reputation as a centre of artistic, cultural and intellectual creativity; a geographical location which briefly had military importance, continues to be important in terms of the country's vision of itself; and might become interesting economically; and a collective place for Newfoundlanders in the Canadian national consciousness which, while impossible to quantify, is a major asset in itself ...

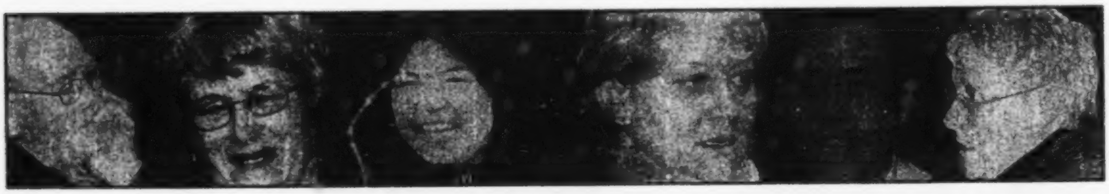
Gwynne Dyer, Opinion Piece for the Commission

The general tendency of many young people to leave, especially those with post- secondary education, combined with declining birth rates and the devastating effects of the collapse of the groundfish fisheries, with no recovery in sight, has depopulated many rural areas of almost their entire younger generations.

Chapter 4 of the main Report

"Without a doubt, I believe the next five to ten years will be a watershed for the province in all aspects of society. Analyzing our role within Confederation will serve as the genesis of a greater plan towards greater prosperity."

Excerpt from the Public Consultations



Chapter 1

Our Place in Canada Today

©Diana May Dabinett
Icicles at Makkovik

2003, hand painted with procion dyes on silk

Chapter 1

Our Place in Canada Today

When, after a popular referendum with a slim majority, the Dominion of Newfoundland joined the Dominion of Canada in 1949, it brought vast new riches into Confederation. It added the diversity of the Aboriginal and non-Aboriginal cultures, the openness and warmth of the people, the beauty of its geography and landscape and the skills of a workforce of talented women and men. Confederation was a moment of historic significance for Canada and of unprecedented opportunity for Newfoundland. In joining, this province became a partner with nine others, an equal in a growing and prosperous nation.

Although the people were few in number, only 350,000 at the time of Confederation, they entered with much to contribute. The new province had strategic airspace and geographic location, rich land resources and vast offshore waters. Its global position had attracted four American military bases, and the Island provided inherent security for the Gulf of St. Lawrence. It had a history of commercial trade, both with the United States and in Canada itself, and the fishing resources around its coastline and on the Grand Banks were globally renowned. Newfoundland brought forest resources on the Island and in Labrador, powerful hydroelectric resources (particularly on the Churchill River), offshore resources that would eventually encompass significant oil and gas reserves, and mineral resources, including the currently developing nickel deposit at Voisey's Bay. In total, Newfoundland and Labrador has made a magnificent contribution to Canada.

The people of Newfoundland and Labrador are also fully aware of the contributions Canada has made to the well-being of this province. Since Confederation, overall health in Newfoundland and Labrador has improved, real personal incomes are higher and education levels have increased significantly. New public infrastructure includes improved roads, schools and hospitals. People in this province now have better ongoing services such as health care, education and social services. Other large contributions to economic progress have come from the Government of Canada's significant development expenditures, including funding from the Atlantic Canada Opportunities Agency (ACOA) and its predecessor organizations, and from its investment in the Hibernia oil development. In total, Canada has made a magnificent contribution to Newfoundland and Labrador.

Nonetheless, while Newfoundlanders and Labradorians are proud to be Canadian, think the decision to join Canada was a good one and talk little of separation, the Commission has reached the fundamental conclusion that our participation in Canada has come nowhere close to reaching its full potential. There is a stark reality about our relative position in the country that underlies much of the current discontent in our province. Newfoundlanders and Labradorians have been on the end of a powerful set of circumstances, unique in the country, that places the province in a very disadvantageous position. Since Confederation, its hydroelectric resources in Labrador have been developed for the benefit of Quebec; its oil resources

> How strange that they hadn't made today a holiday – after such an epic battle surely some celebration was in order but no, they were afraid, my father said, there might be riots if people were given time off. He had ruffled my hair on his way downstairs at seven o'clock, comforting me, or perhaps himself, for I didn't need comforting. "It may not be so bad... anyway it's done now and we're Canadians, we'll have to make the best of it!" He'd gone off to work, wearing the same overalls and carrying the same scraped, black lunch tin. What would change for him, I wondered.
>
> Bernice Morgan
> From the short story "To Mark The Occasion"

have been developed in a manner that makes Canada the primary beneficiary; its fishery has all but disappeared under the stewardship of the federal government; double-digit unemployment has persisted for the last 35 years, and in the last decade 12 per cent of its population has been lost to out-migration. All of this has manifested itself in a province which has the nation's highest unemployment rate, lowest per capita income, highest rate of out-migration, fastest declining population, some of the highest rates of taxation, highest per capita debt and weakest financial position. The Commission asks: How many alarm bells need to be sounded? How many arguments need to be made that Canada is not meeting the expectations of Newfoundlanders and Labradorians? How many pleas need to be made that something has to be done, that something has to change, that something has to give if Newfoundland and Labrador is ever to renew and strengthen its place in Canada?

Fifty-four years after Confederation, it is abundantly clear that our relationship with the Government of Canada is under considerable and understandable strain. Newfoundlanders and Labradorians feel ignored, misunderstood and unappreciated by their federal government and, to a lesser extent, by other Canadians. There is a deep concern that a future of prosperity and self-reliance is not achievable within the Canada of today. This concern, however, should not be mistaken for regret or loss of hope. The vast majority of people believe in the underlying premise of this Commission — that change, both in our circumstances and in our relationship with Canada, is possible.

The people have reported to this Commission that they want their aspirations affirmed within Canada by a change in the actions and attitudes of their provincial and federal governments. They are aware that some decisions will be difficult, but no more difficult than much of what has happened in the last decade. They want to find a pathway to renewal which will strengthen their place in Canada. They want to know that they are, as they deserve to be, respected partners in Confederation.

"The challenge is not to get out of Confederation but to get into it."

Excerpt from the Public Consultations

"It may not be a pleasant thought, but distance from the centre is, in far too many ways, for far too many people, the very measurement of this confederation's worth and meaning."

Rex Murphy, CBC Commentary
"The East Coast Fishery", The National, May 6, 2003

Unlike the failure of the fishery, which is a resource disaster that has already occurred, the oil situation represents an impending but avoidable failure in the relationship between the federal and provincial governments. Urgent joint action is required. This difficult situation has arisen because development circumstances have changed substantially from those anticipated when the Atlantic Accord was negotiated almost 20 years ago.

Chapter 11 of the main Report

As George Rose has written, the Northern cod (and by extension most of the Atlantic groundfish stocks) is " ... the icon for fisheries mismanagement in the world." We have lost, we trust not permanently, one of the world's great wild harvests. This was not inevitable: other major groundfish stocks in Norway, Iceland, Alaska and New Zealand have not been subject to the same mismanagement.

Chapter 10 of the main Report

"Let's not fall into the trap that some misguided souls may have by asking what have we done for Canada - the evidence is under our feet and in the Atlantic blue sky and on the broad ocean, and in the war graves of Europe and our proven generosity toward all, and in the skyscrapers of Ontario and Alberta and in the B.C. industries, and in the mainland universities and our music and stories."

Excerpt from the Public Consultations

Chapter 2

A New Partnership

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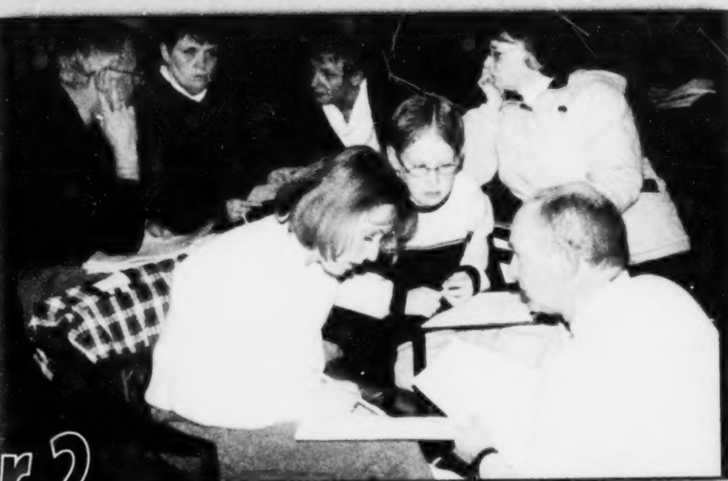
Art Gallery of Newfoundland and Labrador, The Rooms



Chapter 2

A New Partnership

The people of Newfoundland and Labrador want a change to a mindset that embraces the concept of being relentlessly present-minded in analyzing our challenges, and relentlessly future-minded in tackling them. This new state of mind means looking to the future and not dwelling on the past, taking more responsibility for ourselves and working cooperatively while promoting a culture of excellence. A poll carried out for the Commission found that 58 per cent of a representative group of people from Newfoundland and Labrador believe that it is neither the federal government, nor the provincial government, but the people themselves who need to take responsibility for the future prosperity of this province.

If seeing themselves through a new lens is the first step in renewing and strengthening their place, then developing a new relationship with the Government of Canada must be the second step. The current relationship between the federal and provincial governments has been characterized by blame and acrimony, confrontation and dismissiveness, legal threats and constitutional demands, lack of understanding and sensitivity and the failure to jointly address the major issues facing this province. The challenge is, therefore, how to ensure that the people of a small province with little apparent influence can envisage, and then create, a new relationship between their provincial government and their federal government. This was the challenge presented to the Commission as it deliberated on the information it had received.

Certain key qualities would have to characterize any new, effective relationship between the provincial government and the federal government. A true partnership would be based on collaboration between the governments and their senior officials, with an ongoing commitment to understanding each other's challenges, concerns and capacities. Their working relationships would transcend partisan interests, and would be marked by respect and an absence of dismissive or condescending attitudes. Such a partnership would be firm enough to withstand major crises, flexible enough to accommodate special circumstances and creative enough to find solutions to unique needs. Both governments would have to be transparent in their dealings with each other, and resolute if either feels that the other has violated values or agreements. Building on the values which have marked the history of Canada and the history of Newfoundland and Labrador, the partnership would operate within the framework of the federation while influencing the ongoing evolution of the federation. This kind of relationship does not exist today.

Many may suggest that seeking such a relationship would be futile, a waste of time and energy. Such a view is understandable, especially given the fact that the relationship to date has not resulted in a sufficient narrowing of the gaps we experience in unemployment rates, per capita income, taxation, per capita debt and rate of out-migration. It has not enabled us to effectively use the strengths of our natural resources to help us break out of our cycle of dependency. It has not given us the sense that we are respected as a fully

> Ils envisagent cette réforme comme devant être le fruit de conversations et d'accords loyaux entre les deux groupes. Ils veulent atteindre l'objectif par le cheminement du dialogue plutôt que par la méthode des ultimatums. Mais ils reconnaissent, au départ, que le cadre politique canadien est celui à l'intérieur duquel ils cherchent une solution.
>
> They see that this reform ought to be made up of conversations and faithful agreements between the two groups. They wish to obtain this objective by the road of dialogue rather than by the method of ultimatums. But they recognize at the outset that it is within the Canadian body politic that they look for a solution.

Claude Ryan
Le Devoir, September 1964

constituted province in this federation of ten provinces. Those holding this view believe it is unrealistic to expect that the federation will change or, indeed, that the federation is capable of changing. During the course of the Commission's deliberations, public anger manifested itself in voices calling for a strident approach in the Commission's final report. There were calls for (i) a referendum under the Clarity Act, (ii) a constitutional challenge of the adequacy of the current equalization program and (iii) a negligence action against the federal government for its mismanagement of the fishery.

The Commission understands both the intellectual and emotional basis for arguments in favour of a more militant approach, but it is also strongly of the view that militancy is not a basis for a successful long-term relationship with the federal government. It is entirely unrealistic to think that we could ever renew and strengthen this province without a positive relationship between our two elected governments. That is not to say that a respectful relationship between both governments rules out the need for strong actions from time to time. Indeed, inherent in a collaborative relationship in a federation like Canada is the inevitability of conflict and disagreement. Such conflict cannot form the basis of an ongoing relationship. The measure of the renewed relationship, however, will not be whether the two governments are simply getting along. Rather, it will be the extent to which they jointly deal with the key issues facing the province in the long-term best interests of the people of Newfoundland and Labrador. The Commission concludes that the building of a new relationship, rooted in the Canadian way of governance, is a risk worth taking.

The Commission believes that Canada is capable of and ready for the change in approach that Newfoundland and Labrador requires. Canada has a history of constantly renewing and adapting itself to new times and new circumstances. From 1867, when the first four provinces came together to constitute the foundation of this country, to 1982 when Canada's Constitution was patriated, to 1985 when the Atlantic Accord was signed, to 1999 when Nunavut became the newest Territory, Canada has always been open to, accepting of and growing through change. Today, many Canadians believe it is time for yet another transformation.

At the same time as many people in Canada are asking for significant change in the federation, there is an unusual coming together of new governments and new leaders, both federally and provincially. At the federal level, three of the party leaders are relatively new in their mandates, and the fourth party will have named its new leader in November 2003. A new prime minister will be in office in February 2004. Quebec, Manitoba and New Brunswick have recently elected new governments. It is likely that the provinces of Saskatchewan, Ontario, Nova Scotia and Newfoundland and Labrador will go to their respective electorates within the coming year. Never, in recent memory, has there been such an opportunity for this country to renew itself to better respond to the hopes and dreams of Canadians in the twenty-first century and to ensure that Canada remains "the best country in the world." This is an opportune time for the people of this province to reflect with other Canadians on the kind of Canada we want and need. It is a time that offers exciting possibilities for a new relationship between governments as the first step in creating this new kind of Canada.

As it envisages this new partnership and pathway to renewal, the Commission is not suggesting that Newfoundland and Labrador can become an Alberta of the East, or that it can rapidly progress leaving other provinces in its wake. On the contrary, the provincial government must work hand in hand with the federal government, not only to ensure that the province does not fall further behind, but that it progresses at a reasonable pace. The unacceptable alternative is the status quo, entrenched by a federal system unable or unwilling to respond seriously and respectfully to the unique circumstances facing Newfoundland and Labrador. The cost of doing nothing is high, not just for Newfoundland and Labrador, but for Canada as well.

"I believe that Newfoundland and Labrador is at a crossroad in its history, and it is at this point that our government and its people must endorse a new approach in our relations with the federal government."

Excerpt from the Public Consultations

"It is when we compare Newfoundland of today, after a dozen years of what for us has been phenomenal progress, with the rest of Canada that we are brought up by a short turn to the realization of the fact that we have a quarter century at best, and even a half century at worst, to go before we catch up with today's general average in Canada."

Hon. Edward S. Spencer, Minister of Finance
Budget Speech, June 22, 1960

How the provincial government eventually deals with the challenges of rural sustainability and, indeed, how Canada eventually deals with them on a country-wide basis will speak clearly to what this country values and how it envisions its future.

Chapter 4 of the main Report

The whole of Section 36 [of the Constitution] should inform our financial arrangements. These constitutional principles mean that fiscal arrangements should help promote, not hinder, major economic development opportunities that can reduce disparities and promote equality of opportunity.

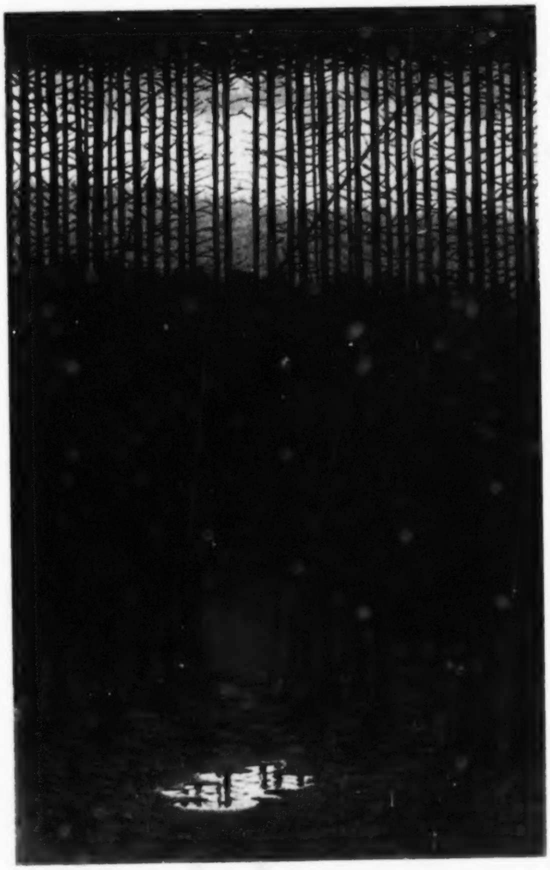
Chapter 9 of the main Report

"In the past 50 years the rise of a university-educated population in the province has resulted in a shift in the attitude of its people - from a willingness to accept imported leadership in many sectors of our society and economy to a demand that leadership must come from within - that economic and social decisions affecting Newfoundland and Labrador would be made by the people of this place."

Excerpt from the Public Consultations

Chapter 3

The Pathway to Renewal



©Jerry Evans
The Path
1994, Lithograph

Chapter 3

The Pathway to Renewal

When Newfoundland and Labrador joined Canada, it expected to be a fully respected partner in the federation and to progress to the same standard of living as other Canadians. The province expected that it would not be dependent on the federation, but would derive its prosperity from its own abundant natural resources. It has been the Commission's challenge to take these expectations into account and to recommend a new pathway to renewal. This pathway, founded on the new relationship between the federal and provincial governments, is intended to tackle current realities and offer practical responses that are in the best interests of the people of the province.

The pathway to renewal deals with a comprehensive package of issues of paramount importance to the province. The Commission is confident that the elements in the pathway have great potential to renew and strengthen Newfoundland and Labrador's place in Canada if the political will exists to move forward. As a country, Canada has a history of adapting itself to new realities, not always through constitutional arrangements but often through negotiation and flexibility in government decision-making. It has a history of being guided by the shared values of equality, justice and respect. It is in this context that the Commission is hopeful that its Report will strengthen Newfoundland and Labrador's place in the federation.

In the pages which follow the Commission outlines its conclusions and recommendations that make up the key elements in the recommended pathway to renewal.

No to Separation! No to Status Quo!

- Newfoundlanders and Labradorians are proud to be Canadians. Based on all of its meetings, hearings, research and polling, the Commission has concluded that the issue of separation is not a priority for the large majority of people in the province. The poll indicated that only 12 per cent of respondents thought Newfoundland and Labrador should leave Canada and become an independent country. ***The overwhelming sentiment is against separation and in favour of improving our place within Canada.***
- Newfoundlanders and Labradorians do not believe that the province has yet found its full place in Canada. There is a strong sense that the fundamental issues facing the province are not well understood by the federal government, and are too often ignored or dismissed as "regional" and far less important than concerns seen as "central." The overwhelming sentiment is that the status quo is totally unacceptable. ***Being entrenched at the bottom of the Canadian ladder in a cycle of dependency underscores the need to improve our place in Canada.***

Dear Natash,

We have a lot of work to do in our community – our community is dying… Let us work together – we will be able to help our children and our grandchildren. We will be the ones to show them something beautiful about our lifestyle, our traditions – something beautiful that we can leave for them when we are gone.

Elizabeth Penashue
Sheshatshiu, Labrador

- Under the Terms of Union, Newfoundland and Labrador accepted a place within Canada that was not materially different from that of other provinces. With the exception of Term 32(1), related to the Gulf ferry service, there are no significant clauses in the Terms of Union that can be called upon to renew and strengthen our place in Canada. ***What is needed is a new partnership, not changes to the Terms of Union.***

A New Partnership – a Two-Way Street

- The current federal/provincial relationship is in disarray. It is simply not working, and the best interests of the people of the province are not being served. A changed mindset, characterized by inclusion, cooperation, respect and accommodation, must guide the development of the new relationship between the federal government and the provincial government. ***Both governments must agree to the need for a changed relationship and make a commitment to creating a new partnership.***

- The recommended change to a collaborative relationship is not meant to apply only to Newfoundland and Labrador. The Commission believes such a change is being demanded by other provinces and by Canadians right across this country. ***The future strength of Canada depends on the ability of the provincial, territorial and federal governments to reshape the federation so that it works in the best interests of Canadians.***

- It is in Canada's best interest that this province find the way to build on its own strengths and break away from its cycle of dependency. The recommended pathway to renewal is key to this province's achieving prosperity and self-reliance. ***Newfoundland and Labrador has an opportunity to be seen as a test case of whether the political will exists in both the provincial and federal governments to break the pattern of confrontational federalism.***

- Since the members of the Canadian Senate are not elected, the Senate lacks the democratic legitimacy to represent the interests of the provinces. An elected Senate, with equal representation of the provinces, would ensure that provincial issues receive greater federal attention. While this is a longer-term objective, the provincial government should join other provinces in advocating Senate reform. ***The Commission supports the calls for an elected and equal Senate in order to improve the representation of provinces in the federal parliament.***

- A properly balanced and well-functioning federation is the responsibility of both the federal and provincial governments. Currently, federal/provincial mechanisms are too ad hoc and dependent on the will of the federal government. Provincial and territorial governments should explore with the federal government more efficient mechanisms for strengthening federal/provincial relations. ***The Commission supports the need for more organized and regularly scheduled First Ministers' meetings for a better functioning federation.***

- Provinces are increasingly frustrated because their interests are not understood by the federal public service or reflected in federal policies and programs. This is exacerbated by the perception of many Canadians that the interests of central Canada are of greater importance than those of the other provinces. ***In order to improve federal administrative sensitivity to Canada's regional diversity, the federal government should implement policies to ensure that the federal public service understands and reflects that diversity.***

A New Way of Thinking and Relating

- An important step toward renewal would be the adoption of a new mindset which embraces the concept of being relentlessly "present-minded" in analysing challenges, and relentlessly "future-minded" in tackling them. ***It is time to adopt a new state of mind – one which looks to the future, refuses to dwell on the past and takes more responsibility for working cooperatively as a society.***
- Within Newfoundland and Labrador, the provincial government must build on initiatives related to social inclusion for all of its citizens. The pathway to renewal is based on a team effort involving Aboriginal and non-Aboriginal cultures, women and men, newcomers to this society, youth, seniors, businesses, unions and workers, and volunteers. ***The principles of social inclusion – equality, openness, dialogue, respect and trust – are seen as fundamental to renewal in governments' dealings with all aspects of society as well as in citizens' relationships with each other.***
- Unfolding social and economic circumstances have, in many respects, different impacts on men and women. Stronger policies must be implemented by the provincial government to facilitate the inclusion of women in decision-making, improve women's access to training and education and improve gender equality in the workplace. The Commission supports those calling on the Government of Canada to revisit the 1970 *Report of the Royal Commission on the Status of Women*. ***Governments at all levels must work more diligently to ensure that women's values, experiences, knowledge and skills are better reflected in policy formulation.***
- There is no single solution or template for the numerous complex issues confronting Aboriginal peoples. Priority attention should be given to the timely conclusion of Innu and Inuit land claims negotiations with the provincial and federal governments; the creation of federal reserves at the Innu communities of Natuashish and Sheshatshiu; access to federal programs by Mi'kmaq and Labrador Métis; and timely decisions by the federal government on the Labrador Métis land claims application. ***The federal government, working closely with the provincial government and Aboriginal groups, must act to bring clarity to the rights and entitlements of Aboriginal peoples in the province.***
- The undercurrent of alienation that exists in Labrador cannot be ignored. There must be ongoing consultation and focus on issues of vital importance to Labradorians. In particular, the Commission is recommending that attention be directed toward accessing Labrador energy for domestic and commercial use in Labrador, completing the Trans-Labrador Highway and securing the future of the Goose Bay airbase. On these issues, governments must address the interests of Aboriginal peoples as well as environmental matters. ***The provincial government must demonstrate an ongoing strong commitment to meaningful consultation with Labradorians, and their inclusion on key issues.***

Youth and Our Future

- With the out-migration of young adults and families with young children, many rural areas have lost almost their entire younger generation. This province needs young men and women if it is to build a stronger and more prosperous future and if it is to continue to have a strong culture and identity. It is recognized that some young people will always choose to move to broaden their horizons. ***The challenge for the province lies in ensuring that young people are not compelled to leave for economic reasons, but have a choice to stay or return home.***
- The Commission was encouraged by the importance that young women and men attach to education. Nevertheless, there is a need for increased counselling services during high school to enable youth to make better choices about their future careers and post-secondary education in university or community college. There is also a need for improved access to apprenticeship programs and support for training programs for women in areas in which they are under-represented. The Commission is aware of the irony that there is an imminent labour shortage in this province even as it experiences high unemployment. ***Young people are challenging government to find ways to ensure that they are fully aware of the employment opportunities existing in this province, and that the appropriate educational programs are in place for them to take advantage of these opportunities.***
- While every person must be encouraged to pursue his or her full potential, opportunity must be provided for that potential to be realized within Newfoundland and Labrador. Too many talented young people have to leave this province to secure employment, often because their student debt loads leave them no choice. ***Student debt burden is becoming a significant contributor to out-migration, and federal/provincial programs must be adapted to deal with this reality.***
- The Commission was reminded by young people that too much focus on the negative discourages them from believing in themselves and feeling confident about the future. They know that the image of the province will improve as the province's place in Canada improves. ***The optimism and energy of young men and women embody the new way of thinking needed to renew and strengthen our place in Canada.***

Fiscal House in Order

- Since Confederation, successive budgetary deficits in Newfoundland and Labrador have led to an accumulation of debt which, combined with unfunded pension liabilities, results in an overall taxpayer-supported debt burden in excess of $10 billion. In 2003, the province budgeted for a deficit that is double the previous year's, and incorporates a shortfall of over $100 million on current account. ***Newfoundland and Labrador's budgetary deficit trend is unsustainable.***
- The prospect of significant reductions in program spending presents major challenges to the government's ability to maintain existing service standards. Tax levels in this province rank amongst the highest in the country, and further tax increases would be counterproductive. ***The fiscal options are extremely difficult, but they must be addressed.***
- Offshore oil revenues are projected to increase significantly in the coming years. However, the net benefit of these revenues to the province will be substantially diminished through the loss of equalization payments, even after fully reflecting the revenue-protection arrangements set out in the Atlantic Accord. ***Offshore oil revenues under the current structure cannot be expected to eradicate the serious fiscal challenges confronting the province.***
- The Commission urges the provincial government to commit itself, through legislation, to balanced budgets within a specific time frame, and to take action to ensure that appropriate

arrangements are in place to address its significant unfunded pension liabilities. Once fiscal balance is restored, there is still the need to address debt and ease tax burdens. ***Fiscal prudence dictates that the provincial government take the necessary steps to get its fiscal house in order.***

Fiscal Federalism

- The purpose of equalization is to ensure that provinces can provide reasonably comparable levels of social services at reasonably comparable levels of taxation. While it has been enormously beneficial, the equalization formula is not working as it was intended. ***The reinstatement of the ten-province standard,[1] the inclusion of accommodation for population changes and the preservation of the generic solution[2] are all critical if the equalization program is to meet its stated objectives.***

- The Canada Health and Social Transfer (CHST) is designed to support social programs in the provinces and territories. Despite the additional federal funding provided this year, CHST cash entitlements for this province remain below the level in effect in the mid-1990s. The Commission supports the position of the provinces and territories that, in order for social programs to be sustainable, the federal government must provide greater financial support. In addition, the Commission is recommending that accommodation be made to enable provinces to adjust for declining population over a reasonable period of time. ***Funding under CHST should be increased, and the arrangements altered to ensure that population loss can be equitably accommodated.***

- After many decades of federal and provincial governments cooperatively planning and jointly funding regional economic development programs, the federal government has abandoned this approach. Those cost-shared agreements provided critical funding for many strategic government and industry-specific initiatives in Newfoundland and Labrador. ***The Commission encourages the Government of Canada to reconsider its position and negotiate new cost-shared agreements with the provincial government.***

Last Chance for the Fishery

- The collapse of the groundfish fishery and the vulnerability of the crab and shrimp fisheries are critical issues for the people of rural Newfoundland and Labrador and for the economy of the province. Priority must be given to the rebuilding of fish stocks. This requires a renewed emphasis on fisheries science through the restoration of adequate federal funding for the Department of Fisheries and Oceans. ***There must be a collaborative approach to resource recovery that focuses on conservation, science and industry reform, and gives the province a meaningful say in its fishery.***

- The rebuilding of groundfish stocks, the long-term sustainability of shellfish stocks and the restoration of fisheries science are of the highest priority. An action plan is urgently needed to address these issues. This plan would be based on existing extensive research, and would incorporate a strategy to restore funding for fisheries science. ***The Commission recommends the establishment of an Action Team jointly appointed by the Prime Minister and the Premier, with a six-month mandate to develop a comprehensive action plan.***

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[1] The reference set of provinces used to determine the standard for the equalization formula was initially two provinces, then all ten provinces, and, since 1982, five provinces (British Columbia, Manitoba, Ontario, Québec and Saskatchewan). In the main Report, Chapter 9 explains the equalization formula in more detail.

[2] The generic solution is a component of the equalization program. If a province has 70 per cent or more of a single revenue source, then 30 per cent of that province's revenue from that source is excluded from the calculation of its fiscal capacity. In some years, the generic solution has applied to potash and heavy oil in Saskatchewan, offshore gas in Nova Scotia, asbestos in Québec and offshore oil in Newfoundland and Labrador. For this province, the generic solution ensures that equalization losses from offshore oil revenues cannot exceed 70 cents on the dollar.

- The provincial government must have direct participation in the management of its most important resource. The Commission recommends the negotiation of a new fisheries-management relationship between the two governments, leading to the development of mechanisms for joint management of the fishery, integrated policy development and implementation. ***Achieving joint management does not require constitutional amendment, and could follow the same route that led to the current joint management regime for offshore oil and gas.***
- The Commission recommends that the federal government develop a forceful plan to address foreign overfishing based on the reality that NAFO (Northwest Atlantic Fisheries Organization) simply is not working. It recognizes, however, that unilateral action by Canada to assume custodial management for areas such as the Nose and Tail of the Grand Banks poses serious legal, diplomatic and enforcement risks. Canada, therefore, should make a determined effort to strengthen NAFO. ***At the same time, Canada should prepare itself and the international community for the reality that strong unilateral action, including custodial management, will be necessary should efforts within NAFO fail.***

Rural Sustainability – an Unresolved Challenge

- The most significant social and economic challenge facing the province today is the survival of rural Newfoundland and Labrador. Any efforts to openly address this challenge are complicated by memories of the 1960s resettlement program, by fears that even discussing the issue will signal the end of rural communities, or by mistrust that decisions will be imposed on people in rural areas. Ignoring the challenge, however, discourages in-depth exploration of more creative approaches to rural sustainability. ***The people of the province must become engaged in an informed public dialogue on the future of rural Newfoundland and Labrador as preparation for the development of a rural strategy.***
- In developing a rural strategy, the provincial government will need to go beyond a focus on jobs alone and explore more fundamental questions and options concerning the future of the province. These future options would include, but not be limited to, the pursuit of an urban agenda, a regional agenda or a rural agenda. Each of these options presents its own opportunities, comes with its own costs and has implications for public policy decisions and public expenditures. There are many possible models of citizen engagement that can be used by the provincial government to bring about informed public dialogue. ***It is imperative that the provincial government articulate a strategy for rural Newfoundland and Labrador.***

Regulation of Natural Resources

- The provincial government must constantly challenge itself to ensure the greatest possible returns from the development of the province's natural resources. The provincial government's current review of electricity policy provides a valuable opportunity in this regard. ***A key component of this review must be a careful consideration of the province's powers under the Constitution of Canada, including those added by Section 92A, to derive important and needed benefits from electricity generated on the Island and in Labrador.***

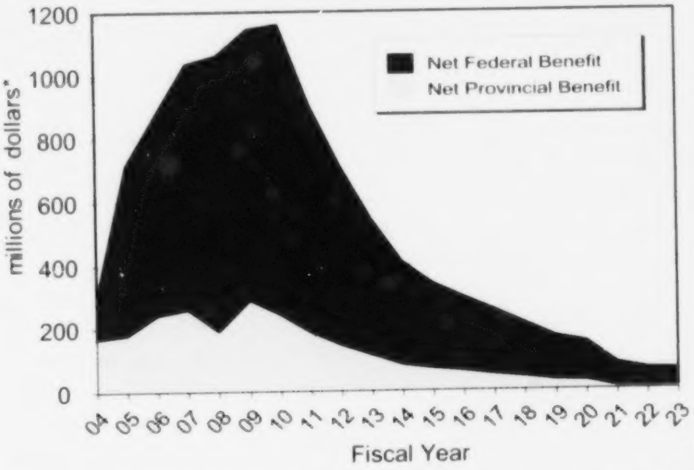
Offshore Oil – Principal Beneficiary

- The stated intent of the Atlantic Accord is that Newfoundland and Labrador is to be the principal beneficiary of oil and gas resources off its shores. The protection in the Atlantic Accord against equalization losses was based on the overly optimistic expectation that Newfoundland and Labrador would become a "have" province in a relatively short period of time. This situation did not materialize. Today, the federal government's income tax revenues, coupled with its savings on equalization, are projected to total 75 to 80 per cent of combined federal/provincial oil revenues over the life of existing projects. The provincial government will be the net beneficiary of only 20 to 25 per cent of these revenues. ***Under existing arrangements, the principal beneficiary of offshore oil will be the Government of Canada and not the people of Newfoundland and Labrador.***

- The current arrangements yield a startling revenue split (see Figure 13.1). It defies all logic to say that the spirit and intent of the Atlantic Accord will be honoured under present sharing arrangements. ***The Commission recommends that the federal and provincial governments enter into immediate negotiations to revise the Atlantic Accord to ensure that a far greater net share of government revenues will be retained by the province.***

Figure 13.1

Net Sharing of Government Revenues from Offshore Oil



Source: Projections based on the existing projects (Hibernia, Terra Nova and White Rose). Data extracted from projections provided by the provincial Department of Finance.

***Note:** Constant dollars adjusted for inflation.

- The amended arrangements should ensure that the province will realize a higher net share of combined federal/provincial government oil revenues until it reaches the Canadian average on agreed-upon fiscal and economic measures. This is an essential ingredient to renewal. ***The existing revenue-sharing arrangements of the Atlantic Accord are no longer a valid means of achieving the objectives of the Accord, and they must be amended to enable Newfoundland and Labrador to become the principal beneficiary.***

Churchill River

- The Churchill Falls development has profoundly shaped Newfoundlanders' and Labradorians' perception of their place in Canada. Nevertheless, it is crucial that the development of the Gull Island site on the Lower Churchill proceeds in a way that builds new relationships, both with Québec and the federal government. ***After 30 years of unsuccessful negotiations, the time has come to develop the Gull Island hydroelectric site on the Lower Churchill River.***

- The development of the Gull Island site must result in this province's taking fair and reasonable benefits from the development of its resource. The federal government can bring balance to negotiations between Québec and Newfoundland and Labrador by agreeing to be a substantial financial backer of the project. Such a constructive role for the federal government would be entirely consistent with its constitutional commitment to "furthering economic development to reduce disparity in opportunities" under Section 36(1)(b) of the Constitution Act, 1982. ***The Government of Canada should be a key participant in the development of the Gull Island energy resource.***

- In moving forward with the Gull Island development, the provincial government must ensure that it takes no action that could prejudice its future ability to regulate more effectively the Churchill Falls resource for the benefit of the people of Newfoundland and Labrador. ***In the view of the Commission, issues related to the Churchill Falls development should not be directly linked with negotiations to develop the Gull Island site.***

The Location Challenge – Global Competition

- Newfoundlanders and Labradorians expect that they should be connected through effective transportation and communication systems to the rest of Canada. The provincial government, as part of its renewal strategy, should seek new funding arrangements with the federal government for improvements to the transportation and communications infrastructure. These arrangements must address a new generation of highway investments and broadband Internet access in rural areas. ***Joint federal/provincial funding for the improvement of key transportation and communications infrastructure in Newfoundland and Labrador is crucial to the province's future economy.***

- Under the Terms of Union, the federal government is required to provide a quality and affordable Gulf ferry service, without interruption and at a level capable of meeting demand. This important service, however, should not be viewed just as a constitutional commitment to be enforced and respected. ***A renewed focus by the federal government on improving the Gulf ferry service is essential to strengthening the province's economy.***

- The Commission recognizes the significance of education and research in the ability of the province to participate in the knowledge-based economy. Efforts to make federal research-funding programs less tied to past research success, and more tied to developing research strengths, are also required. ***Enhanced federal support arrangements for research will augment the province's ability to compete in the knowledge-based economy.***

Intergovernmental Relations Strategy

- The Government of Newfoundland and Labrador needs a strengthened and well-resourced intergovernmental affairs department with advisers who are knowledgeable and experienced in federal/provincial and interprovincial issues and relations. ***The building of a productive***

relationship with the federal government and the other provinces and territories requires a strong team led by the Premier or a member of Cabinet designated as Deputy Premier.

- Forging partnerships with other provinces in areas of mutual concern is in the best interest of the province. For example, the Commission encourages the building of a tripartite partnership with Newfoundland and Labrador, Québec and the federal government on new hydroelectric developments in Labrador. ***Building alliances with individual provinces on matters of mutual interest should be an important element in the provincial government's intergovernmental strategy.***
- The Commission believes that a well-considered, long-term comprehensive intergovernmental strategy with clear goals and objectives is required. ***The first action within the new strategy would be an early presentation by the provincial government to the federal government on "our place in Canada," using the Commission's recommended pathway as its foundation.***

Assessment of Progress

- If the pathway to renewal is having an impact, progress will be evident in the short term. It will be important, therefore, that a full assessment of the extent of progress be undertaken. The findings, conclusions and recommendations of the Commission can be used to benchmark such progress. ***The Commission recommends that the provincial government undertake such an assessment and make a progress report to the people of the province on or before June 30, 2005.***

"There can be no peace in a country or a province or a community where there is no economic justice."

Excerpt from the Public Consultations

"Clearly Newfoundland [and Labrador] is not the primary or principal beneficiary of the offshore resources, nor of offshore revenues, but a minor beneficiary when compared to the federal government. The importance of this is that, unless the Atlantic Accord is honoured and implemented as to its original intent, Newfoundland [and Labrador] is unlikely ever to become a self-sufficient province within the Canadian federation."

John Crosbie, Research Paper for the Commission

"Respect for the languages and cultures of aboriginal peoples is essential to their survival."

Chapter 4 of the main Report

As we become more sensitive to the value of diversity and more open to its presence in Newfoundland and Labrador, we will also become a more welcoming and supportive society for those who have too often been marginalized or deemed "different". Differences in race, colour, ethnic origin, sexual orientation, physical ability, mental ability, religion and age must come to be seen as sources of strength in our province. Celebrating diversity can only result in a province which gives our traditional values of community, generosity and hospitality a new expression in this twenty-first century.

Chapter 5 of the main Report

"Small island economies such as Newfoundland have the opportunity and, generally, the necessity, of being open and connected to the rest of the world. The ocean has always been Newfoundland's medium, metaphorically its highway, railway, airline, shipping, literary, telegraph and satellite connection. The sea does not represent a vast emptiness bordering the coast isolating and marginalizing a society. The sea has always been a prime measure of freedom and opportunity."

Excerpt from the Public Consultations

Chapter 4

A Better And Brighter Future

©William B. Ritchie
Ookpik the Believer

1985, Lithograph, A.P.
Memorial University of Newfoundland Permanent Collection
Art Gallery of Newfoundland and Labrador, The Rooms

Chapter 4

A Better and Brighter Future

The recommended pathway to renewal puts forth compelling arguments on how Newfoundland and Labrador can renew and strengthen its place in Canada. Much of the success of the pathway depends on renewed political will by both the Government of Canada and the Government of Newfoundland and Labrador to embrace the concept of accommodation. The pathway represents an unprecedented challenge to both governments to take into account the difficult set of circumstances that has faced Newfoundland and Labrador since Confederation, and to pursue a renewal strategy based on doing the right things in the right ways for the right reasons for the people of Newfoundland and Labrador.

The Commission believes the pathway to renewal can be the first step towards Newfoundland and Labrador's achieving prosperity and self-reliance over the long term. If the federation is going to work, it is incumbent on the federal government to be just as concerned about the disparities facing Newfoundland and Labrador as is the provincial government. There are no magic or simple solutions within the pathway. It deals with the issues that require change if Newfoundland and Labrador is to improve its current and unacceptable place in Canada.

It will be the responsibility of the provincial government to make the case for renewing the province's place in Canada. That case should start with a comprehensive presentation to the Government of Canada outlining where Newfoundland and Labrador stands after 54 years in Confederation, where the challenges lie and where the solutions exist. The Report of the Commission can be used as the basis for that presentation. It will then be the responsibility of the provincial government to pursue a strategy of renewal in a comprehensive, cohesive and consistent manner. The provincial government must organize from a ministerial and public service point of view so that it can effectively pursue the strategy of renewal through reasoned argument and with a resolute approach.

The time for making the case is now. The Commission feels that arguments relating to renewing our place in Canada must be based on merit. It is essential to get on with making the case and to relentlessly pursue it to a successful conclusion. The people of the province have told the Commission that the status quo must now be challenged, and they expect no less from their provincial and federal governments.

It is the goal of this Report to provide each Newfoundlander and Labradorian with a greater understanding of the key issues that define their place in Canada, as well as a fuller acceptance of the kinds of things that have to be achieved in order for Newfoundland and Labrador to break out of its cycle of dependence. The pathway has been created in the expectation that this federation has the ability to accommodate change, to recognize the unique situations facing various provinces and territories, to honour the spirit and intent of national programs, to partner in major projects and to break the pattern of competitive and dismissive federalism. The pathway assumes that a better and brighter future for the country can be built

> I'm sittin' on my stage-head lookin' out at where Skipper Joe Irwin's schooner is ridin' at her moorin'... thinkin' about how weak are the things that try to pull people apart – differences in colours, creeds and opinion – weak things like the ripples tuggin' at the schooner's chain. And thinkin' about how strong are the things that hold people together – strong, like Joe's anchor, and chain, and the good holdin' ground below.
>
> Ted Russell, The Holdin' Ground (1954)

on collaborative and cooperative federalism. This is a future worth pursuing with all the passion and intellect we can muster.

Consider these five examples from the pathway to renewal. *First*, the current environment of competitive – indeed, combative – federalism seldom works to the advantage of the people of Newfoundland and Labrador. Confrontation by the provincial government is more often than not a response to the dismissiveness of the federal government. Reason dictates that both sides should commit to ending this counterproductive relationship. *Second*, it is unforgivable that, after more than a decade of moratoria on cod and other fish stocks, a plan for rebuilding has yet to be put in place. There is no conceivable reason why an Action Team, jointly appointed by the Prime Minister and the Premier, should not be created immediately. *Third*, it is distressing to see that, after 30 years of unsuccessful negotiations to get the Lower Churchill developments underway, the Government of Canada remains on the sidelines. It is entirely realistic to expect that Canada will partner with Newfoundland and Labrador and Québec in a joint effort to ensure that the Lower Churchill sites are developed as soon as possible. *Fourth*, it defies all logic to suggest that the principal-beneficiary objective of the Atlantic Accord will be met under current circumstances. Given this unanticipated outcome, there is every reason to expect that both levels of government would see the necessity of revisiting the Atlantic Accord. *Fifth*, it is distressing to see the province's continuing lack of direct involvement in managing its own fishery. Both governments must put aside political rhetoric in favour of immediate and realistic negotiations on joint management.

The pathway is built on the expectation that new accommodations can be reached based on fairness, equity, dignity and respect on the many issues requiring urgent action. These accommodations are not only between the two governments, but must involve Newfoundlanders and Labradorians pulling together to put an end to Labrador alienation, to meet the challenges of rural sustainability, to make social inclusion a way of life, to give young men and women the freedom to remain in or come back to the province and to accept responsibility for the decisions necessary to put the province's fiscal house in order. The Commission has emerged from its deliberations with a renewed sense of hope and with realistic expectations that the key issues, pursued in an environment of reason and collaboration, will point the way in renewing and strengthening Newfoundland and Labrador's place in Canada.

That is what this pathway to renewal is all about. It is about getting on with those things that need to be done in a collaborative, cooperative and accommodating manner. It is about ending the kind of confrontational and dismissive federalism that has marked the relationship between the two levels of government for too long. It is about progress towards prosperity and self-reliance. It is about a better and brighter future for Newfoundlanders and Labradorians. It is about making certain that, after 54 years, Newfoundland and Labrador finds its rightful place in Canada.

"When I said I was coming to NL, more than one person said "what did you do wrong?". I wish they could experience what I have experienced ... the quality of life, emphasis on spirituality, the education system. We need to somehow raise our profile in the rest of Canada."

Excerpt from the Public Consultations

A country is nothing other than people and we are no stronger than the weakest. Each of us and all of us are better when we make decisions that reflect our long held values of compassion, fairness, respect and decency. We bring this message around the world; it is time we brought it home.

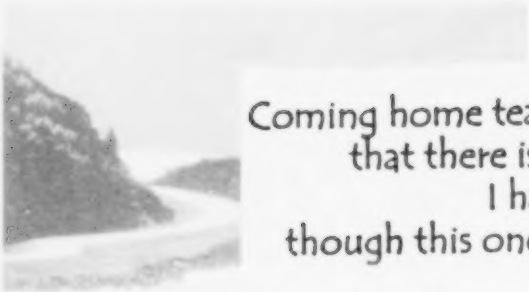
Ross Reid, Opinion Piece for the Commission

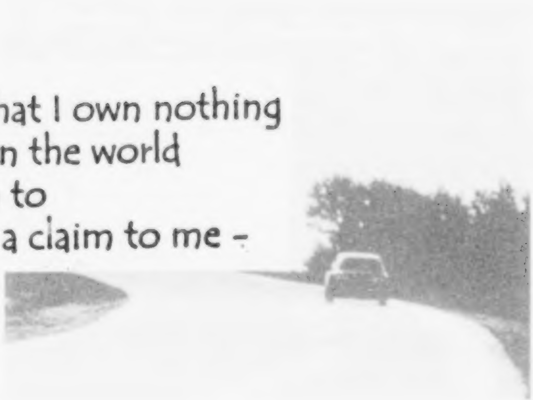
"As for our young people, the problem is that no one is articulating the dream."

Excerpt from the Public Consultations

The new global economy is creating opportunities based on instantaneous communications, information and human resources. Newfoundland and Labrador has a cluster of strengths that, in a relatively small society, interact with one another to respond to this new generation of opportunity. They consist of the following: valuable and strategic natural resources, a potentially sustainable environment of natural and human ecology that is unique in the world, and a determined people, with strong entrepreneurial drive and diverse work skills.

Chapter 12 of the main Report



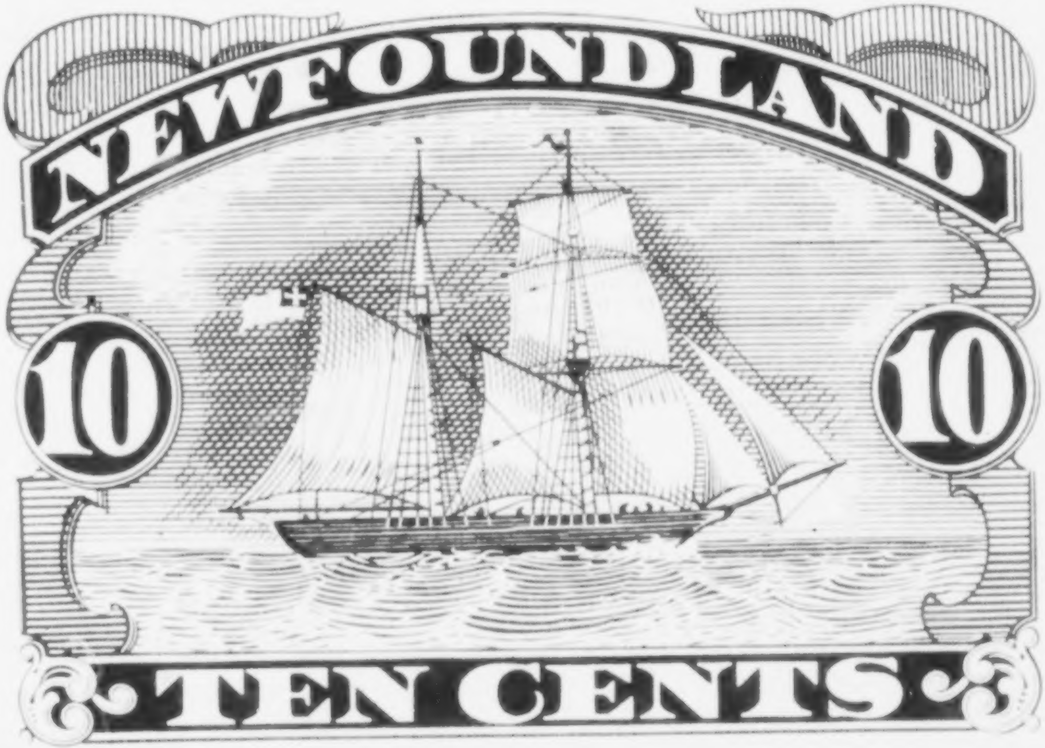


> Coming home teaches me that I own nothing
> that there is nothing in the world
> I have a claim to
> though this one place has a claim to me -

Michael Crummey, *The Road Home*

Afterword

"What Is This Place That Holds Fast Our Hearts?"


NEWFOUNDLAND
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TEN CENTS

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1887 10c Black

1969, Serigraph, 8/12
Memorial University of Newfoundland Permanent Collection
Art Gallery of Newfoundland and Labrador, The Rooms

Afterword

> We love thee, smiling land…
> We love thee, frozen land…
> We love thee, windswept land,
> God guard thee, Newfoundland.
>
> – Sir Cavendish Boyle

These words from the "Ode to Newfoundland," still sung by Newfoundlanders and Labradorians long after Confederation with Canada, reflect the strong bonds between this place and the people who call it home. The bond is powerful; it remains no matter how far away we go, or how long we stay.

Relentless seas, barren landscapes, fertile valleys, stark mountains and rugged, ragged coastlines – these mark the geography of this place at the mouth of the Gulf of St. Lawrence in the northeast corner of North America. An island of 111,390 km^2, a coastal mainland region of 291,330 km^2 and an offshore of 1,820,000 km^2 define the geography of a province with a population of approximately 512,000 people. The Newfoundland and Labrador expatriate community is estimated at 220,000, with most living in other parts of Canada and tens of thousands in the United States and elsewhere. Labrador is the easternmost part of the Canadian Shield and has some of the oldest rocks on Earth, while the island of Newfoundland consists of three areas of the prehistoric world melded by continental drift. The coastline is only about 12 per cent of the Canadian total, but this represents more than one-third of the Canadian coastline that is ice-free for at least six months of the year. The south-flowing, cold Labrador Current, the northwest-flowing, warm Gulf Stream, dramatic storms, fog, variable winds and flowing pack ice and icebergs add to the unique character of this place shaped by the sea.

Our history reflects the importance of the sea and its riches; it was this that first brought our ancestral peoples to these shores. The Palaeo-Indians, likely our first settlers, came to Labrador about 9,000 years ago. They developed the Maritime Archaic culture, which emerged in Labrador about 7,500 years ago, and on the Island about 5,000 years ago. A thousand years later the Palaeo-Eskimos reached Labrador, and about 3,000 years ago came to the Island. The Intermediate Indian culture is visible about 3,500 years ago in Labrador. Later, the Recent Indian culture developed and may have been the foundation of the Innu in Labrador and the Beothuk on the Island. The ancestors of the Labrador Inuit are the Thule, who came from the Canadian Arctic about 800 years ago. For reasons not entirely clear but certainly related to the coming of the Europeans, the Beothuk culture became extinct in the early nineteenth century. Loss of access to the vital resources of the sea, unknown and deadly illnesses such as smallpox, violence and competition with the settlers for hunting all contributed to their demise. The last known Beothuk was Shanawdithit, who died in 1829, having left the only written records of Beothuk life. Oral tradition suggests that the Mi'kmaq were living in Newfoundland long before the arrival of Europeans; however, archaeological evidence for prehistoric occupation is scarce, and we are not exactly certain when the Mi'kmaq first came to the Island. We do know that by the 1600s the Mi'kmaq frequented the Island from Bay St. George to Placentia Bay, and, during the 1760s, many moved to Newfoundland from Nova Scotia as a result of English conquests there.

So, you see, ups and downs has been my life all through, and now I am what I am.

Lydia Campbell
"To See Things and to Understand"

The Norse arrived circa 1000 AD, but left soon after. The next wave of Europeans came in the sixteenth century, not for furs or gold as in other parts of North America, but for the vast resources of the sea. The Basques were primarily interested in whale oil; the other Europeans came mainly for cod.

The first official settlements began in the early 1600s, but extensive settlement did not occur until the later 1700s and early 1800s, really the last time this place has seen considerable immigration. Gradually, small fishing communities appeared all along the coastline, often isolated from each other. At first, the governance of this emerging colony was in the hands of fishing admirals, governors and English merchants. Representative government, a way to make this power base more responsive, was established when an elected Assembly was granted by the British Crown in 1832. Initially, only resident men on the Island voted. Women would not be given the right to vote until 1925, and Labradorians would first vote in 1946. The colony became self-governing in 1855 with responsible government. Although some believed that Newfoundland would become part of the Canadian Confederation in 1867 (indeed, Newfoundland delegates attended both the Charlottetown Conference in July 1864 and the Québec Conference in October 1864), union with Canada would not occur until more than eight decades later. The Dominion of Newfoundland would have its own coinage and bank notes, flag, stamps and ode. On the Island and in southern Labrador it had, and still maintains today, its own distinctive mid-Atlantic time-zone, which is one half hour earlier than the closest North American zone.

Newfoundland and Labrador began the twentieth century with great promise. The opening of the Bell Island mines in the 1890s, and the later establishment of pulp and paper mills in Grand Falls, Bishop's Falls and Corner Brook, led to a much more diversified economy. The railroad, necessary for land-based economic development, was finally completed although at great cost to the public treasury. The Island, given its geographic location, became key to the development of transatlantic flights. The Balfour Declaration (1926) and the Statute of Westminster (1931) confirmed Newfoundland's status as a Dominion. In 1927, the Privy Council ruled in Newfoundland's favour in the dispute with Canada over Labrador's boundaries.

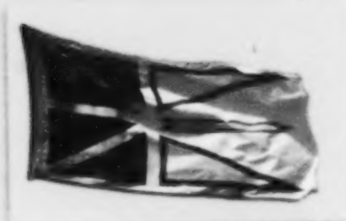
In the two world wars, Newfoundland and Labrador distinguished itself both by commitment to the cause and by the bravery of its people. Names such as Tommy Ricketts, John Shiwak, Frances Cluett, John Ford and Margot Davies remain in our memories of those wars. The Newfoundland Regiment fought bravely in World War I, first at Gallipoli and later at the Battle of Beaumont-Hamel, where more than 90 per cent of its soldiers were killed or wounded a tragedy we remember and mourn every July 1. The Dominion was represented in the Imperial War Cabinet and at the Versailles peace talks. In World War II, men and women from Newfoundland and Labrador served with distinction in the British and Canadian Forces, as well as in the Newfoundland-based Escort Force, which protected convoys of supply ships crossing the Atlantic. The Dominion also provided land for American bases at Goose Bay, Stephenville, St. John's and Argentia. The people of St. Lawrence and Lawn showed their bravery and generosity in the rescue of the

sailors and soldiers from the American destroyer USS *Truxton* and the supply ship *Pollux*, which went aground and were wrecked during a heavy storm.

The optimism of the earlier part of the century came to an end with the Great Depression of the 1930s. The devastation it caused, coupled with the heavy debts incurred by the war effort and the railway, made the finances of the Dominion untenable. As a result, Newfoundland's legislature voluntarily gave up self-government in 1934 and was replaced by a Commission of Government appointed by Britain. Its task was to administer Newfoundland until it become self-supporting again. In 1948, by referendum, the people chose union with Canada as an alternative to a return to responsible government or the continuation of the Commission. In 1949, the Dominion of Newfoundland became the tenth province of Canada. In 2001, the name of the province was changed to Newfoundland and Labrador.

In the 54 years since Confederation, Newfoundland and Labrador has become a modern place with characteristics common to any Western society. The people of the province enjoy the benefits of a social system with publicly funded health care and education. Manufacturing industries, mines and oil wells use the most advanced technologies. One of the fastest growing industries is information technology. Strong unions, a dynamic voluntary sector and a growing business sector have strengthened our social fabric. Sophisticated telecommunications, modern forms of entertainment and urban fashions mirror lifestyles found elsewhere in Canada. Today, in addition to the descendants of the Innu, Inuit, Mi'kmaq, French, English, Irish and Scottish, there are small numbers of immigrants from diverse ethnic and cultural backgrounds, who live mainly in urban centres. More than 95 per cent of the communities in which 90 per cent of the people live, from St. John's to Corner Brook to Forteau to Nain, are situated on coastal waters.

Our challenging geography and our history of hardship and struggle have created a people who have enormous pride in this place. We are confident in the gift we have brought to Canada. We celebrate the women and men who have built this home for us: the countless explorers, reformers, religious leaders, politicians, Aboriginal people, health care providers, musicians, artists and everyday Newfoundlanders and Labradorians have contributed to the making of this place. People such as Gudrid, Shanawdithit, John Cabot, Lord and Lady Kirke, William Carson, Armine Gosling, William Coaker, Bishop Michael Howley, Bishop Edward Feild, Emma Dawson, Philip Little, Robert Bond, Helena Strong Squires, Joseph R. Smallwood, John Joe Drew, Catherine Joe, Maniane Ashini, Lawrence Benoit, Mary Frances Webb, Martin Martin, Lydia Campbell, Elizabeth Goudie, Amos Voisey, Margaret Duley, Cassie Brown, Percy Janes, E.J. Pratt,



Natuashish
Makkovik
Aniapskwoj
L'Anse au Clair
Bristol's Hope
Ireland's Eye
Loch Lomond
Conception Harbour
Isle aux Morts
Bay D'Espoir
Heart's Delight
Fox Harbour
Swift Current
Come-By-Chance
St. John's

Ted Russell, Tommy Sexton, Minnie White, Emile Benoit, Rufus Guinchard, Joan Morrissey, Harry Hibbs, Robert Bartlett, Mose Morgan, Myra Bennett, George Story and hundreds more have imprinted their spirits on this place. The men, women and children who carved the face of this land have left us a legacy of hard work, hope in difficult times, strength in working together, creativity in facing overwhelming odds and joy in celebrating our uniqueness.

Religion has always played a significant role in the lives of the people in this place. Aboriginal traditions often exhibit a deep spirituality intimately connected to the land. Submerged for many years, these traditions are today finding a new place in the lives and dreams of the Innu, Inuit, Labrador Métis and Mi'kmaq. Christianity has had a profound influence on the history, politics and culture of the communities settled by the Europeans. Christian organizations played key roles in the development of the education, health and social systems in the province. Today, our religious traditions are constantly being expanded with the arrival of immigrants who bring the richness of other world religions and spiritual beliefs to our culture.

Unlike other parts of North America, the Newfoundland and Labrador community did not rely on specialized artisans and artists to create its culture; rather, much was made by ordinary people. "Newfoundland art is vernacular art; it speaks directly to the condition of ordinary Newfoundlanders; most of it is about their everyday lives." Newfoundlanders and Labradorians built their own houses, boats and furniture; they knit clothing, stitched quilts and baked bread. In many cases, what is unique to Newfoundland and Labrador furniture, hooked mats, house decorations, fences, mitts and so many other things is that they were made through a combination of ideas from the individual, the community and the outside world.

The artists here have always expressed themselves through storytelling, recitations, songs and ballads, traditional dance and the music of the accordion and the fiddle. Themes from Newfoundland and Labrador folklore and folklife have furnished much of the subject matter for our plays and other theatrical performances. Novels, short stories and other literary forms often deal with the values and characteristics associated with outport life. We celebrate our unique heritage in old songs such as "Let Me Fish Off Cape St. Mary's," "I's the B'y," "Squid Jiggin' Ground" and "Star of Logy Bay." But we also celebrate it in newer compositions like "Sonny's Dream," "Woman of the Island," Saltwater Joys" and "Sea of No Cares." Think of the names of some of our most famous musical groups: Figgy Duff, the Wonderful Grand Band and Great Big Sea. Look to the paintings of visual artists such as David Blackwood, Christopher Pratt, Helen Parsons Shepherd and Gerald Squires. And, of course,

literary works such as Bernice Morgan's *Random Passage* or E. J. Pratt's *Newfoundland* triumphantly explore our vibrant culture and history.

In the first two decades of Confederation, Newfoundland and Labrador faced the subtle but very real threat of assimilation into the Canadian culture. During that same period, there was a strong American influence on those living near the American bases. But in the 1970s, a nationalistic revival led to a cultural "renaissance," which has evolved today into internationally renowned music, art and literature. In the words of Newfoundland-born, London-based independent journalist, Gwynne Dyer:

> ... the intellectual and artistic capital of the province has been growing at a faster rate than almost anywhere else in Canada ... writers, painters, musicians and films are making Newfoundland's special history and character known on the national and international stage as never before, and creating an attraction that brings artists here from all over the world ...

The diversity of our ancestry and the melding of struggle and hope in our relationship with the land and seas are often reflected in our unusual place names. The Innu (Sheshatshiu, Utshimassit, Natuashish), the Inuit (Makkovik, Okak, Nutak), the Mi'kmaq (Miawpukek, Aniapskwoj, Pekwatapaq), the French (Port aux Basques, Port au Choix, L'Anse au Clair), the English (English Harbour West, Bristol's Hope, Windsor), the Irish (Ireland's Eye, Waterford Valley) and the Scottish (the Highlands, Loch Lomond) have imprinted their identities on this place. The strong influence of religion is seen in community names such as St. John's, St. Brendan's, St. Mary's, Mount Carmel, Conception Harbour, Angel's Cove and St. Lawrence. Our emotional response to the struggle and hope inherent in settling here is reflected in names such as Isle aux Morts, Port de Grave, Misery Point, Famish Gut, Bay D'Espoir, Heart's Content, Heart's Delight, Heart's Desire, Hopedale, Little Heart's Ease, Paradise and Harbour Grace. Our bond with nature is evident in names such as Fox Harbour, Gander, Deer Lake, Rose Blanche, Swift Current, Swan Island, Muskrat Brook, Corner Brook and Grand Falls. Our imagination and artistic bent have found expression in names like Come-By-Chance, Broom Point, Ladle Cove, Cape Onion, Bumble Bee Bight, Blow Me Down and Random Island. Above all, the sea permeates our imagery, as almost every community is named as Harbour, Bay, Cape, Tickle, Cove, Arm, Port, or Island.

Our provincial emblems reflect our ancestors' humour and resilience in facing the challenges of living in this place. We have the Atlantic puffin, which makes its home on the ocean and in the rugged cliffs; the pitcher plant, which lives in boggy marshes and is nourished by the insects it traps; Labradorite, or firestone, which combines an iridescent glow with the durability of ancient rock; the black spruce, which is a hardy and durable coniferous tree flourishing in a short growing season; and the endangered Newfoundland pony, possibly the oldest breed of domesticated livestock in North America. Our flag, designed by Christopher Pratt and adopted in 1980, captures the colours of snow and ice (white), the sea (blue), human effort (red) and confidence in ourselves (gold). As it seeks to link our past heritage with our present reality and future promise, the flag has visible links to the Innu and Beothuk cultures, our Commonwealth heritage, the Christian tradition and the Canadian maple leaf.

Despite life in the postmodern age, Newfoundlanders and Labradorians have retained an important sense of identity, a sense of place, that links the past with the present. We have a deep sense of belonging. We care about community and value a lifestyle that balances work and time with family and friends. We have a passionate appreciation of our cultural and artistic heritage, and enjoy a strong sense of connection to the land and the sea. Our sense of attachment to this place remains remarkably strong. This was evident when the Commission visited with young people. A predominant message, in both urban and rural communities, was the crucial importance of their sense of identity and their attachment to Newfoundland and Labrador as home. We know our culture is special and even unique. And other Canadians know it, too. In a Commission poll, 72 per cent of Canadians viewed Newfoundland and Labrador as culturally distinct from Canada.

One event in the recent past that serves as an example of our character and sense of humanity was the province's response to the tragedies of September 11, 2001. By hosting thousands of airline passengers from around the world and providing them with a "home," we did instinctively what we thought should be done. "There is a tendency on the part of some of us not to recognize the event for what it was – singular and revelatory. This gentle openness of heart is a manifestation of the Newfoundland and Labrador spirit nurtured over time and insinuated into our character, and we often forget it is that spirit which fires our sense of belonging."

Our identity and sense of place are, and perhaps have always been, vulnerable. The impact of the loss of responsible government on the young generation of the time has never been fully examined, but it's not difficult to conclude that it must have left a changed self-image, a fear of failure and a loss of confidence. Some argue that we experienced another significant loss in 1949. One expatriate told the Commission, "We have not found that identity in Canada, because our belonging began with a loss of who we were in the moment of Confederation. We are still, I believe, stuck in that moment ... the threat of losing ourselves altogether is very real."

Others see in the closure of the cod fishery, with which our identity is so involved, a terrible impact on the attitude and spirit of our people. We blame others, and we blame ourselves. Have we accepted what has occurred in many of our rural communities? Are we in denial? Consider the following two statements received by the Commission:

> Our sense of belonging to this place and a way of life have been shaken to its roots and somebody has to be held responsible. Principally it has been governments, federal and provincial, heads of organizations, business leaders.

> ... Laying blame at the feet of governments, big business, or other impersonal forces creates a milieu of victimization and erodes local agency and responsibility.

This loss of confidence, the feeling of powerlessness, may suggest that a less enduring sense of place threatens to emerge unless we all work together to fight it.

"We must ... [allow] people to learn that the story of their past, despite its perceived shortcomings, is largely one of resilience, survival and even success over the centuries." The need to maintain and revitalize our sense of self and sense of place is fundamental to renewing and strengthening our place in Canada. As one person told the Commission, "We haven't figured out how to use our culture and identity to our social and economic advantage, to transform us from being proud of who we are to being confident in who we are."

There is a wonderful Newfoundland and Labrador image: the dory. When you row a dory, you do not look in the direction in which you are going; but, in looking at the wharf or beach you have left, you are able to guide your way to the new place. "Renewing our sense of place ... is not to go back; it is to launch out anew. We must reclaim the independent spirit which sustained us over our first 400 years."

Newfoundlanders and Labradorians are very much part of today's world. In our lifestyles, our ways of work, our music, our art, our connections around the world and our interests, we are a modern people enjoying the same experiences and facing the same challenges as Canadians everywhere. We name ourselves Canadians, proudly celebrating the values that make this country great. We have no desire to live in the past or to go back, but we have a deep conviction that the spirit which our ancestors brought here was special and lives on in each one of us. That spirit, that sense of identity, is the source of our belief

that we can make a better future for ourselves and all who will follow us. And that spirit is the unique gift we bring to the Canadian federation.

When Newfoundland and Labrador joined Canada, our nation finally became complete from sea to sea to sea. It remains to Newfoundlanders and Labradorians at home and abroad to ensure that all Canadians know our rich history, rejoice in our uniqueness and understand our challenges. Only in this way will we feel that Canada is made complete by our presence, and that in Canada we have truly found a place of respect and dignity.

Ode to Labrador

Dear land of mountains, woods and snow
Our Labrador
God's noble gifts to us we know
Our Labrador
Thy proud resources waiting still
Their splendid task will soon fulfil
Obedient to thy Maker's will
Our Labrador

E minasshkuat shash tshekat tshe utnakant
(Thy stately forests soon shall ring)
Ninan Napatau (Our Labrador)
Tshe tshemekeishkanut
(Responsive to the woodman's swing)
Ninan Napatau (Our Labrador)
And might floods that long remained
Their raging fury unrestrained
Shall serve the purpose God ordained
Our Labrador

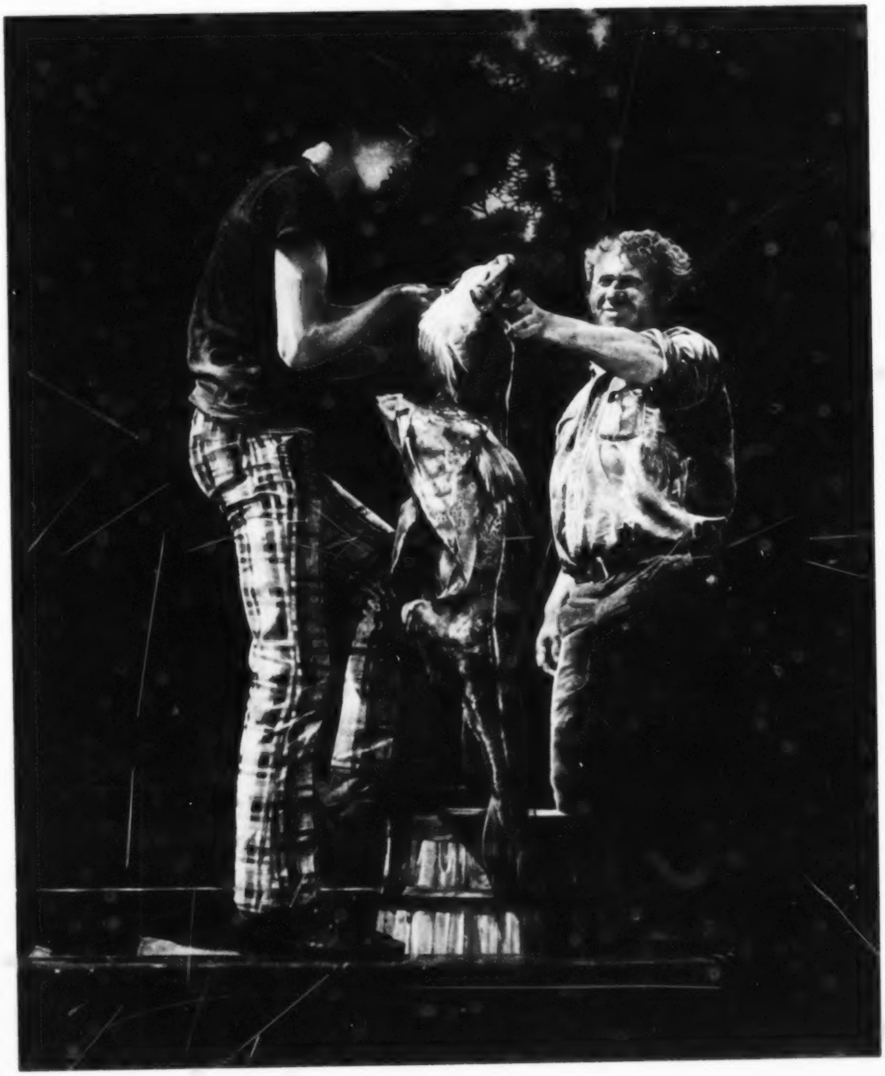
Kakkangit Pisuglanga
(We love to climb the mountains steep)
Labradorvut (Our Labrador)
Ubvalu imakkuluta
(Or paddle on the waters deep)
Labradorvut (Our Labrador)
Our snowshoes scar the trackless plains
We seek no city streets, nor lanes
We are thy sons while life remains
Our Labrador

Labradorvut

Ninan Napatau

Dr. H.L. Paddon wrote the lyrics for this song to the well known tune of "O Tannenbaum". Shirley Montague composed an original melody in 1988, incorporating the Inuktitut translation by Margaret Metcalfe and the Innu-aimun translation by Ann Rich (Nuna)

Appendices

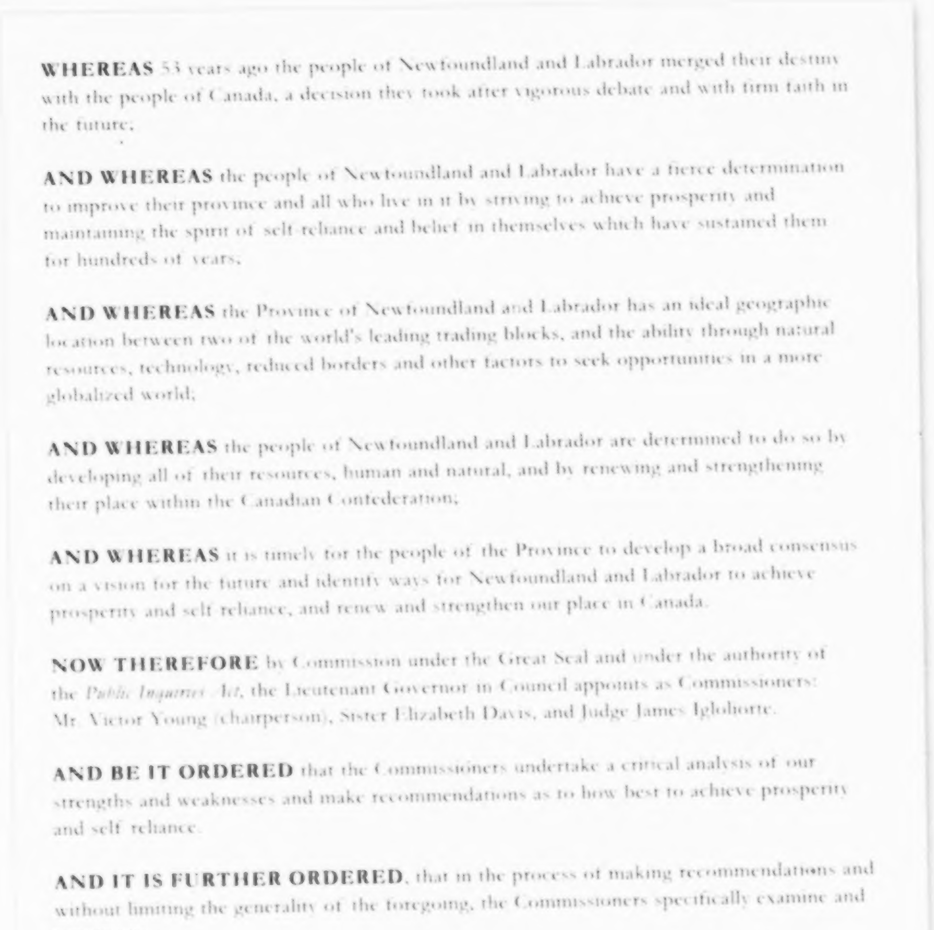


©Mary Pratt
Another Province of Canada

1978, Oil on Panel
Memorial University of Newfoundland Permanent Collection
Art Gallery of Newfoundland and Labrador, The Rooms

TERMS OF REFERENCE

Royal Commission On Renewing and Strengthening Our Place in Canada



WHEREAS 53 years ago the people of Newfoundland and Labrador merged their destiny with the people of Canada, a decision they took after vigorous debate and with firm faith in the future;

AND WHEREAS the people of Newfoundland and Labrador have a fierce determination to improve their province and all who live in it by striving to achieve prosperity and maintaining the spirit of self-reliance and belief in themselves which have sustained them for hundreds of years;

AND WHEREAS the Province of Newfoundland and Labrador has an ideal geographic location between two of the world's leading trading blocks, and the ability through natural resources, technology, reduced borders and other factors to seek opportunities in a more globalized world;

AND WHEREAS the people of Newfoundland and Labrador are determined to do so by developing all of their resources, human and natural, and by renewing and strengthening their place within the Canadian Confederation;

AND WHEREAS it is timely for the people of the Province to develop a broad consensus on a vision for the future and identify ways for Newfoundland and Labrador to achieve prosperity and self-reliance, and renew and strengthen our place in Canada.

NOW THEREFORE by Commission under the Great Seal and under the authority of the *Public Inquiries Act*, the Lieutenant Governor in Council appoints as Commissioners: Mr. Victor Young (chairperson), Sister Elizabeth Davis, and Judge James Igloliorte.

AND BE IT ORDERED that the Commissioners undertake a critical analysis of our strengths and weaknesses and make recommendations as to how best to achieve prosperity and self-reliance.

AND IT IS FURTHER ORDERED, that in the process of making recommendations and without limiting the generality of the foregoing, the Commissioners specifically examine and report on:

1. the expectations of the people of Newfoundland and Labrador prior to joining Canada, and how Newfoundland and Labrador has changed since Confederation, with a review of how the prosperity and self-reliance of our people has been affected over time;

2. how Newfoundland and Labrador is viewed in Canada, in particular by the federal government and its institutions, and to recommend ways in which Canadians may obtain a better understanding of our Province;

3. the effect on the province of the Terms of Union as embodied in the Constitution of Canada and the evolution of these arrangements since 1949;

4. the special and unique contributions Newfoundland and Labrador has brought to Canada;

5. any arrangements with Canada which have or may hamper or detract from the ability of the people of Newfoundland and Labrador to attain prosperity and self-reliance including, but not limited to, federal jurisdiction over natural resources, federal/provincial fiscal arrangements, and the application of federal government policies as they pertain to Newfoundland and Labrador;

6. demographic changes and the impact of these trends as they relate to challenges and opportunities for our youth and the future of the province; and

7. the means by which Newfoundland and Labrador can take maximum advantage of its strategic location between the North American and European trading blocks and the challenges which must be met and the opportunities which can be seized by Newfoundland and Labrador in a global economy.

AND THAT, the Commissioners undertake their mandate in three phases:

1. a research phase, to be guided by public input, during which the Commissioners may enter into research contracts with qualified, objective groups and individuals and thus provide an information base for further discussion and a stimulus to that debate;

2. a roundtable consultation phase, during which the Commissioners shall consult with pertinent constituencies on relevant matters; and

3. a formal public consultation phase, during which the Commissioners will use the necessary means and methods to ensure that meaningful consultation occurs with citizens of the province.

AND THAT the Commission shall consider whether a Newfoundland and Labrador Conference should be held prior to the submission of a final report.

AND THAT the Commissioners, are vested with the powers and authority set out in the *Public Inquiries Act*.

AND BE IT FURTHER ORDERED THAT, the Commission may provide interim or specific issue reports as appropriate and shall submit its final report with recommendations to the Lieutenant Governor in Council on or before June 30th, 2003.

April 19, 2002

STAFF OF THE ROYAL COMMISSION ON RENEWING AND STRENGTHENING OUR PLACE IN CANADA

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Victor L. Young, O.C. (Chair)

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Hon. James Igloliorte

DEPUTY MINISTER

Barbara Knight

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LEGAL COUNSEL

Adam T. Sparkes

MANAGER OF OPERATIONS

Brent Meade

RESEARCH TEAM

Dave Norris

James Feehan

Rhonda Burke

Jodi Oliver

PRODUCTION TEAM

Ronalda Steele

Gerard Blackmore

ADMINISTRATIVE SUPPORT

Jacquie Brown

Mabel Macpherson

LOGISTICS

Roger Samson

ACKNOWLEDGEMENTS

Many people provided assistance, support and advice to the Commissioners as we prepared this Report. We owe our deepest gratitude to the men, women, youth and children who attended our 25 public hearings, our meetings with women's groups and our school visits; the businesses who welcomed us to their premises; the participants in the three dialogues and the eight roundtables; the individuals and organizations who forwarded written submissions; the individuals and groups who met with us informally; the many people who sent e-mails or visited us at the office to give their support; the researchers who worked in such short time frames and produced such fine work; the individuals who gave us analysis and insight on our draft report; the many people who helped us prepare, organize and record our public hearings, dialogues and meetings in Newfoundland and Labrador, Ottawa, Toronto and Fort McMurray; the many friends who hosted us in their communities and their homes; the Sisters of Mercy, who generously gave us the ongoing use of their conference room; the RCMP, who provided transportation for us from Nain to Happy Valley-Goose Bay; the translators, proofreaders, editors and printers; the Provincial Archives and the Art Gallery of Newfoundland and Labrador for providing the imagery used in the Report; the writers and artists who gave us permission to use their works to reflect the messages in the Report; and the many officials from the public service who provided us with needed data and so graciously gave us the wisdom of their experiences.

Through the generous giving of your time, hard work and commitment to our province's future, you have played an important role in the completion of our task. While we take full responsibility for any inadequacies in the quality of the analysis and conclusions in the Report, we want to acknowledge our indebtedness to you for the insights, energy and encouragement you have provided to us.

We want to say a very special word of thanks to the people who worked most closely with us on a daily basis: Barbara Knight, Doug Brown, Jacquie Brown, Rhonda Burke, Jim Feehan, Mabel Macpherson, Brent Meade, Jodi Oliver and Adam Sparkes. We express gratitude to Ged Blackmore, Tim Madden, Dave Norris, Roger Samson and Ronalda Steele. Thank you for being such an incredible team, who gave well beyond the call of duty, created an enjoyable and sometimes hilarious work atmosphere and lived a collaborative effort every day.

Finally, we express appreciation to the Premier and the Government of Newfoundland and Labrador for placing their confidence in us, and for giving us the privilege of learning so much more about this wonderful place in Canada that we call home.

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11	Left: Natural Resources Canada Middle: Grand Concourse Authority Right: Canadian Press (photographer: Jonathan Hayward)
12	Newfoundland and Labrador Tourism
17	James Igloliorte
18	Photo: Newfoundland and Labrador Tourism Text: *Le Devoir*
23	Left and Right: K. Bruce Lane/Capital Coast Development Alliance Middle: Strategic Social Plan, Labrador Region
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44	Top: James Igloliorte Bottom Three: Newfoundland and Labrador Tourism
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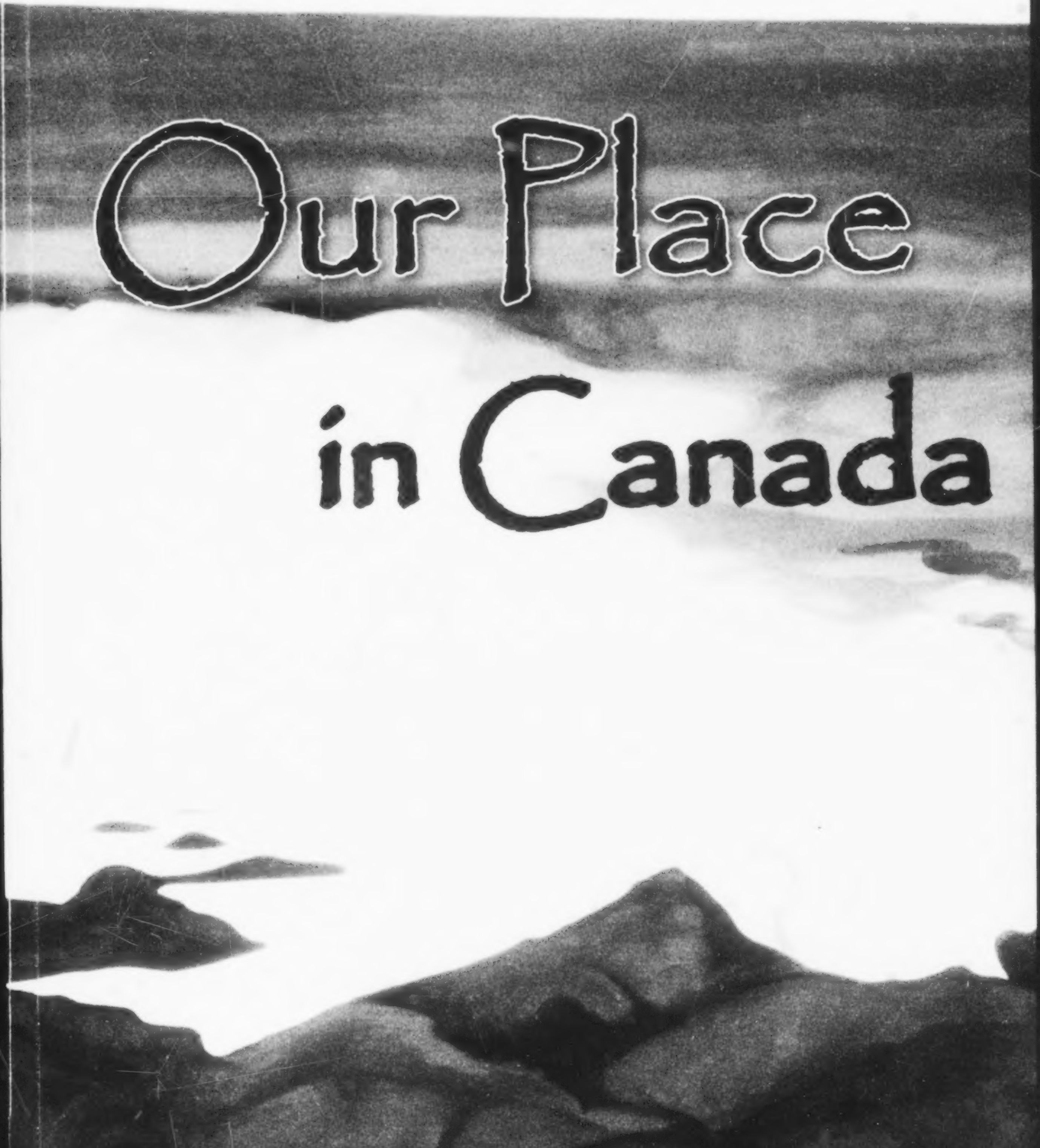
47	Ode to Labrador: Dr. H.L. Paddon/Butter and Snow Productions
Voices of the People collage:	Northern Pen, Newfoundland and Labrador Tourism, Memorial University

Royal Commission on
Renewing and Strengthening Our Place in Canada
Newfoundland and Labrador

Our Place in Canada



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Cape Spear Wave II
1993, Oil on Canvas, 36" x 72"

Royal Commission on Renewing and Strengthening Our Place in Canada

Victor L. Young
Commission Chair

Sister Elizabeth Davis
Commissioner

Judge James Igloliorte
Commissioner

Telephone: (709) 729-3200
Facsimile: (709) 729-3539

www.gov.nf.ca/royalcomm

mailbox
@royalcomm.gov.nf.ca

June 30, 2003

TO HIS HONOUR THE LIEUTENANT GOVERNOR IN COUNCIL

The Royal Commission on Renewing and Strengthening Our Place in Canada was appointed under Order in Council OC2002-187, dated April 19, 2002. We are pleased to advise that the Commission has completed its work and is now submitting its Report.

In the past fourteen months, it has been our privilege to meet with almost three thousand Newfoundlanders and Labradorians throughout this province and in expatriate communities. We have received valuable insights from these meetings, from written submissions and from our research program. We now present for your consideration a recommended Pathway to Renewal built on the foundation of a collaborative partnership between the Government of Newfoundland and Labrador and the Government of Canada.

It has been an honour to have served on this Commission. It is our hope that the work we have done will play a part in renewing and strengthening our province's place in Canada.

Respectfully submitted,

Elizabeth Davis

James Igloliorte

Victor Young, O.C.
Chair

Elizabeth M. Davis, RSM
Commissioner

Hon. James Igloliorte
Commissioner

4th Floor
Baine Johnston Centre
P. O. Box 8772
St. John's, NF
A1B 3T2

OUR PLACE IN CANADA

ROYAL COMMISSION ON
RENEWING AND STRENGTHENING OUR PLACE IN CANADA

MAIN REPORT

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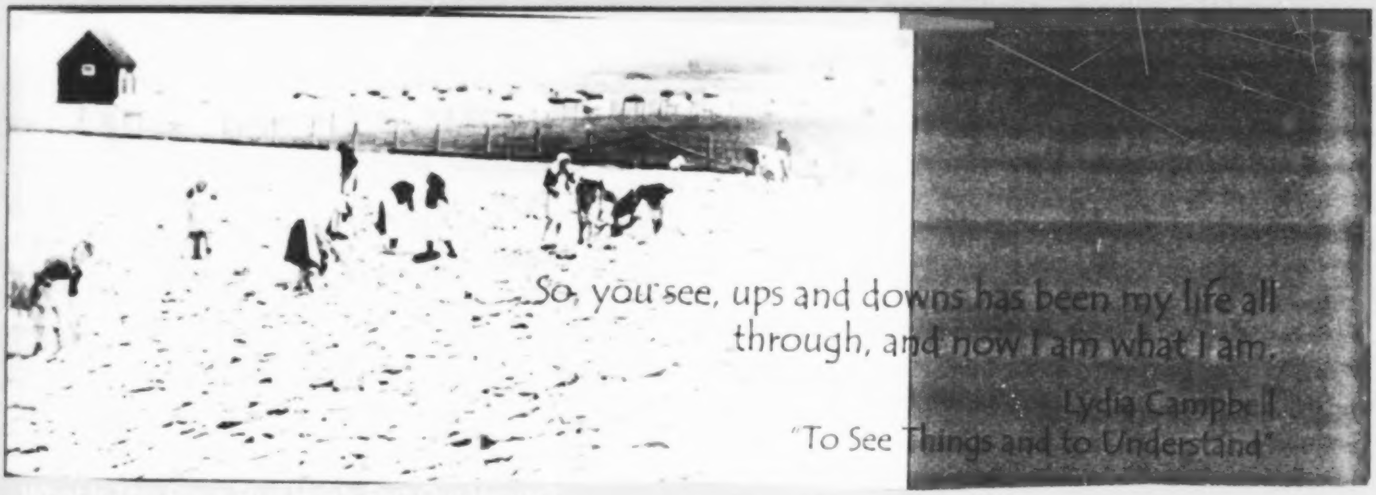
"What Is This Place That Holds Fast Our Hearts?"[1]

> We love thee, smiling land…
> We love thee, frozen land…
> We love thee, windswept land…
> God guard thee, Newfoundland.
>
> – Sir Cavendish Boyle

These words from the "Ode to Newfoundland," still sung by Newfoundlanders and Labradorians long after Confederation with Canada, reflect the strong bonds between this place and the people who call it home. The bond is powerful; it remains no matter how far away we go, or how long we stay.

Relentless seas, barren landscapes, fertile valleys, stark mountains and rugged, ragged coastlines – these mark the geography of this place at the mouth of the Gulf of St. Lawrence in the northeast corner of North America. An island of 111,390 km^2, a coastal mainland region of 291,330 km^2 and an offshore of 1,820,000 km^2 define the geography of a province with a population of approximately 512,000 people. The Newfoundland and Labrador expatriate community is estimated at 220,000,[2] with most living in other parts of Canada and tens of thousands in the United States and elsewhere. Labrador is the easternmost part of the Canadian Shield and has some of the oldest rocks on Earth, while the island of Newfoundland consists of three areas of the prehistoric world melded by continental drift. The coastline is only about 12 per cent of the Canadian total, but this represents more than one-third of the Canadian coastline that is ice-free for at least six months of the year. The south-flowing, cold Labrador Current, the northwest-flowing, warm Gulf Stream, dramatic storms, fog, variable winds and flowing pack ice and icebergs add to the unique character of this place shaped by the sea.

Our history reflects the importance of the sea and its riches; it was this that first brought our ancestral peoples[3] to these shores. The Palaeo-Indians, likely our first settlers, came to Labrador about 9,000 years ago. They developed the Maritime Archaic culture, which emerged in Labrador about 7,500 years ago, and on the Island about 5,000 years ago. A thousand years later the Palaeo-Eskimos reached Labrador, and about 3,000 years ago came to the Island. The Intermediate Indian culture is visible about 3,500 years ago in Labrador. Later, the Recent Indian culture developed and may have been the foundation of the Innu in Labrador and the Beothuk on the Island. The ancestors of the Labrador Inuit are the Thule, who came from the Canadian Arctic about 800 years ago. For reasons not entirely clear but certainly related to the coming of the Europeans, the Beothuk culture became extinct in the early nineteenth century. Loss of access to the vital resources of the sea, unknown and deadly illnesses such as smallpox, violence and competition with the settlers for hunting all contributed to their demise. The last known Beothuk was Shanawdithit, who died in 1829, having left the only written records of Beothuk life. Oral tradition suggests that the Mi'kmaq were living in Newfoundland long before the arrival of Europeans; however, archaeological evidence for prehistoric occupation is scarce, and we are not exactly certain when the Mi'kmaq first came to the Island. We do know that by the 1600s the Mi'kmaq frequented the Island from Bay St. George to Placentia Bay, and, during the 1760s, many moved to Newfoundland from Nova Scotia as a result of English conquests there.



So, you see, ups and downs has been my life all through, and now I am what I am.

Lydia Campbell
"To See Things and to Understand"

The Norse arrived circa 1000 AD, but left soon after. The next wave of Europeans came in the sixteenth century, not for furs or gold as in other parts of North America, but for the vast resources of the sea. The Basques were primarily interested in whale oil; the other Europeans came mainly for cod.

The first official settlements began in the early 1600s, but extensive settlement did not occur until the later 1700s and early 1800s, really the last time this place has seen considerable immigration. Gradually, small fishing communities appeared all along the coastline, often isolated from each other. At first, the governance of this emerging colony was in the hands of fishing admirals, governors and English merchants. Representative government, a way to make this power base more responsive, was established when an elected Assembly was granted by the British Crown in 1832. Initially, only resident men on the Island voted. Women would not be given the right to vote until 1925, and Labradorians would first vote in 1946. The colony became self-governing in 1855 with responsible government. Although some believed that Newfoundland would become part of the Canadian Confederation in 1867 (indeed, Newfoundland delegates attended both the Charlottetown Conference in July 1864 and the Québec Conference in October 1864), union with Canada would not occur until more than eight decades later. The Dominion of Newfoundland would have its own coinage and bank notes, flag, stamps and ode. On the Island and in southern Labrador it had, and still maintains today, its own distinctive mid-Atlantic time-zone, which is one half hour earlier than the closest North American zone.

Newfoundland and Labrador began the twentieth century with great promise. The opening of the Bell Island mines in the 1890s, and the later establishment of pulp and paper mills in Grand Falls, Bishop's Falls and Corner Brook, led to a much more diversified economy. The railroad, necessary for land-based economic development, was finally completed — although at great cost to the public treasury. The Island, given its geographic location, became key to the development of transatlantic flights. The Balfour Declaration (1926) and the Statute of Westminster (1931) confirmed Newfoundland's status as a Dominion. In 1927, the Privy Council ruled in Newfoundland's favour in the dispute with Canada over Labrador's boundaries.

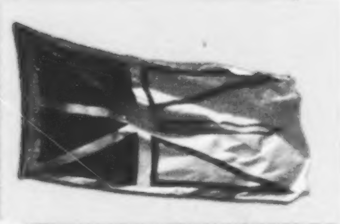
In the two world wars, Newfoundland and Labrador distinguished itself both by commitment to the cause and by the bravery of its people. Names such as Tommy Ricketts, John Shiwak, Frances Cluett, John Ford and Margot Davies remain in our memories of those wars. The Newfoundland Regiment fought bravely in World War I, first at Gallipoli and later at the Battle of Beaumont-Hamel, where more than 90 per cent of its soldiers were killed or wounded — a tragedy we remember and mourn every July 1. The Dominion was represented in the Imperial War Cabinet and at the Versailles peace talks. In World War II, men and women from Newfoundland and Labrador served with distinction in the British and Canadian Forces, as well as in the Newfoundland-based Escort Force, which protected convoys of supply ships crossing the Atlantic. The Dominion also provided land for American bases at Goose Bay, Stephenville, St. John's and Argentia. The people of St. Lawrence and Lawn showed their bravery and generosity in the rescue of the

sailors and soldiers from the American destroyer USS *Truxton* and the supply ship *Pollux*, which went aground and were wrecked during a heavy storm.

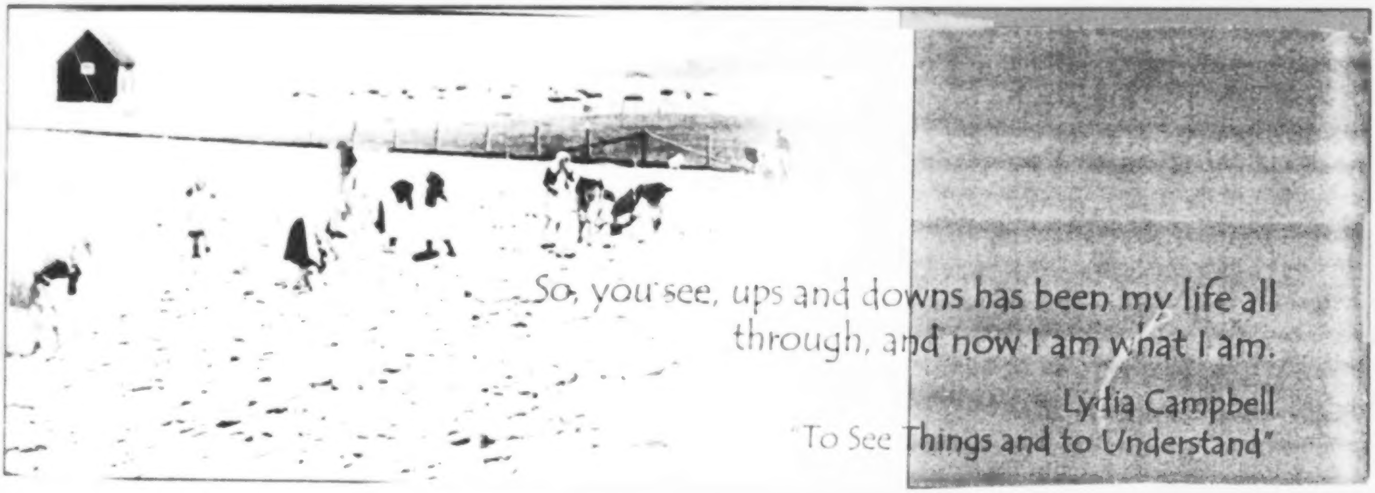
The optimism of the earlier part of the century came to an end with the Great Depression of the 1930s. The devastation it caused, coupled with the heavy debts incurred by the war effort and the railway, made the finances of the Dominion untenable. As a result, Newfoundland's legislature voluntarily gave up self-government in 1934 and was replaced by a Commission of Government appointed by Britain. Its task was to administer Newfoundland until it become self-supporting again. In 1948, by referendum, the people chose union with Canada as an alternative to a return to responsible government or the continuation of the Commission. In 1949, the Dominion of Newfoundland became the tenth province of Canada. In 2001, the name of the province was changed to Newfoundland and Labrador.

In the 54 years since Confederation, Newfoundland and Labrador has become a modern place with characteristics common to any Western society. The people of the province enjoy the benefits of a social system with publicly funded health care and education. Manufacturing industries, mines and oil wells use the most advanced technologies. One of the fastest growing industries is information technology. Strong unions, a dynamic voluntary sector and a growing business sector have strengthened our social fabric. Sophisticated telecommunications, modern forms of entertainment and urban fashions mirror lifestyles found elsewhere in Canada. Today, in addition to the descendants of the Innu, Inuit, Mi'kmaq, French, English, Irish and Scottish, there are small numbers of immigrants from diverse ethnic and cultural backgrounds, who live mainly in urban centres. More than 95 per cent of the communities in which 90 per cent of the people live, from St. John's to Corner Brook to Forteau to Nain, are situated on coastal waters.

Our challenging geography and our history of hardship and struggle have created a people who have enormous pride in this place. We are confident in the gift we have brought to Canada. We celebrate the women and men who have built this home for us: the countless explorers, reformers, religious leaders, politicians, Aboriginal people, health care providers, musicians, artists and everyday Newfoundlanders and Labradorians have contributed to the making of this place. People such as Gudrid, Shanawdithit, John Cabot, Lord and Lady Kirke, William Carson, Armine Gosling, William Coaker, Bishop Michael Howley, Bishop Edward Feild, Emma Dawson, Philip Little, Robert Bond, Helena Strong Squires, Joseph R. Smallwood, John Joe Drew, Catherine Joe, Maniane Ashini, Lawrence Benoit, Mary Frances Webb, Martin Martin, Lydia Campbell, Elizabeth Goudie, Amos Voisey, Margaret Duley, Cassie Brown, Percy Janes, E.J. Pratt,



Natuashish
Makkovik
Aniapskwoj
L'Anse au Clair
Bristol's Hope
Ireland's Eye
Loch Lomond
Conception Harbour
Isle aux Morts
Bay D'Espoir
Heart's Delight
Fox Harbour
Swift Current
Come-By-Chance
St. John's



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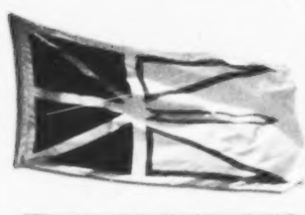

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Religion has always played a significant role in the lives of the people in this place. Aboriginal traditions often exhibit a deep spirituality intimately connected to the land. Submerged for many years, these traditions are today finding a new place in the lives and dreams of the Innu, Inuit, Labrador Métis and Mi'kmaq. Christianity has had a profound influence on the history, politics and culture of the communities settled by the Europeans. Christian organizations played key roles in the development of the education, health and social systems in the province. Today, our religious traditions are constantly being expanded with the arrival of immigrants who bring the richness of other world religions and spiritual beliefs to our culture.

Unlike other parts of North America, the Newfoundland and Labrador community did not rely on specialized artisans and artists to create its culture; rather, much was made by ordinary people. "Newfoundland art is vernacular art; it speaks directly to the condition of ordinary Newfoundlanders; most of it is about their everyday lives."[4] Newfoundlanders and Labradorians built their own houses, boats and furniture; they knit clothing, stitched quilts and baked bread. In many cases, what is unique to Newfoundland and Labrador furniture, hooked mats, house decorations, fences, mitts and so many other things is that they were made through a combination of ideas from the individual, the community and the outside world.

The artists here have always expressed themselves through storytelling, recitations, songs and ballads, traditional dance and the music of the accordion and the fiddle. Themes from Newfoundland and Labrador folklore and folklife have furnished much of the subject matter for our plays and other theatrical performances. Novels, short stories and other literary forms often deal with the values and characteristics associated with outport life. We celebrate our unique heritage in old songs such as "Let Me Fish Off Cape St. Mary's," "I's the B'y," "Squid Jiggin' Ground" and "Star of Logy Bay." But we also celebrate it in newer compositions like "Sonny's Dream," "Woman of the Island," Saltwater Joys" and "Sea of No Cares." Think of the names of some of our most famous musical groups: Figgy Duff, the Wonderful Grand Band and Great Big Sea. Look to the paintings of visual artists such as David Blackwood, Christopher Pratt, Helen Parsons Shepherd and Gerald Squires. And, of course,

literary works such as Bernice Morgan's *Random Passage* or E. J. Pratt's *Newfoundland* triumphantly explore our vibrant culture and history.

In the first two decades of Confederation, Newfoundland and Labrador faced the subtle but very real threat of assimilation into the Canadian culture. During that same period, there was a strong American influence on those living near the American bases. But in the 1970s, a nationalistic revival led to a cultural "renaissance," which has evolved today into internationally renowned music, art and literature. In the words of Newfoundland-born, London-based independent journalist, Gwynne Dyer:

> ... the intellectual and artistic capital of the province has been growing at a faster rate than almost anywhere else in Canada ... writers, painters, musicians and films are making Newfoundland's special history and character known on the national and international stage as never before, and creating an attraction that brings artists here from all over the world ...

The diversity of our ancestry and the melding of struggle and hope in our relationship with the land and seas are often reflected in our unusual place names. The Innu (Sheshatshiu, Utshimassit, Natuashish), the Inuit (Makkovik, Okak, Nutak), the Mi'kmaq (Miawpukek, Aniapskwoj, Pekwatapaq), the French (Port aux Basques, Port au Choix, L'Anse au Clair), the English (English Harbour West, Bristol's Hope, Windsor), the Irish (Ireland's Eye, Waterford Valley) and the Scottish (the Highlands, Loch Lomond) have imprinted their identities on this place. The strong influence of religion is seen in community names such as St. John's, St. Brendan's, St. Mary's, Mount Carmel, Conception Harbour, Angel's Cove and St. Lawrence. Our emotional response to the struggle and hope inherent in settling here is reflected in names such as Isle aux Morts, Port de Grave, Misery Point, Famish Gut, Bay D'Espoir, Heart's Content, Heart's Delight, Heart's Desire, Hopedale, Little Heart's Ease, Paradise and Harbour Grace. Our bond with nature is evident in names such as Fox Harbour, Gander, Deer Lake, Rose Blanche, Swift Current, Swan Island, Muskrat Brook, Corner Brook and Grand Falls. Our imagination and artistic bent have found expression in names like Come-By-Chance, Broom Point, Ladle Cove, Cape Onion, Bumble Bee Bight, Blow Me Down and Random Island. Above all, the sea permeates our imagery, as almost every community is named as Harbour, Bay, Cape, Tickle, Cove, Arm, Port, or Island.

Our provincial emblems reflect our ancestors' humour and resilience in facing the challenges of living in this place. We have the Atlantic puffin, which makes its home on the ocean and in the rugged cliffs; the pitcher plant, which lives in boggy marshes and is nourished by the insects it traps; Labradorite, or firestone, which combines an iridescent glow with the durability of ancient rock; the black spruce, which is a hardy and durable coniferous tree flourishing in a short growing season; and the endangered Newfoundland pony, possibly the oldest breed of domesticated livestock in North America. Our flag, designed by Christopher Pratt and adopted in 1980, captures the colours of snow and ice (white), the sea (blue), human effort (red) and confidence in ourselves (gold). As it seeks to link our past heritage with our present reality and future promise, the flag has visible links to the Innu and Beothuk cultures, our Commonwealth heritage, the Christian tradition and the Canadian maple leaf.

Despite life in the postmodern age, Newfoundlanders and Labradorians have retained an important sense of identity, a sense of place, that links the past with the present. We have a deep sense of belonging. We care about community and value a lifestyle that balances work and time with family and friends. We have a passionate appreciation of our cultural and artistic heritage, and enjoy a strong sense of connection to the land and the sea. Our sense of attachment to this place remains remarkably strong. This was evident when the Commission visited with young people. A predominant message, in both urban and rural communities, was the crucial importance of their sense of identity and their attachment to Newfoundland and Labrador as home. We know our culture is special and even unique. And other Canadians know it, too. In a Commission poll, 72 per cent of Canadians viewed Newfoundland and Labrador as culturally distinct from Canada.

One event in the recent past that serves as an example of our character and sense of humanity was the province's response to the tragedies of September 11, 2001. By hosting thousands of airline passengers from around the world and providing them with a "home," we did instinctively what we thought should be done. "There is a tendency on the part of some of us not to recognize the event for what it was – singular and revelatory. This gentle openness of heart is a manifestation of the Newfoundland and Labrador spirit nurtured over time and insinuated into our character, and we often forget it is that spirit which fires our sense of belonging."[8]

Our identity and sense of place are, and perhaps have always been, vulnerable. The impact of the loss of responsible government on the young generation of the time has never been fully examined, but it's not difficult to conclude that it must have left a changed self-image, a fear of failure and a loss of confidence. Some argue that we experienced another significant loss in 1949. One expatriate told the Commission, "We have not found that identity in Canada, because our belonging began with a loss of who we were in the moment of Confederation. We are still, I believe, stuck in that moment ... the threat of losing ourselves altogether is very real."

Others see in the closure of the cod fishery, with which our identity is so involved, a terrible impact on the attitude and spirit of our people. We blame others, and we blame ourselves. Have we accepted what has occurred in many of our rural communities? Are we in denial? Consider the following two statements received by the Commission:

> Our sense of belonging to this place and a way of life have been shaken to its roots and somebody has to be held responsible. Principally it has been governments, federal and provincial, heads of organizations, business leaders.[9]

> ... Laying blame at the feet of governments, big business, or other impersonal forces creates a milieu of victimization and erodes local agency and responsibility.[10]

This loss of confidence, the feeling of powerlessness, may suggest that a less enduring sense of place threatens to emerge unless we all work together to fight it.

"We must ... [allow] people to learn that the story of their past, despite its perceived shortcomings, is largely one of resilience, survival and even success over the centuries."[11] The need to maintain and revitalize our sense of self and sense of place is fundamental to renewing and strengthening our place in Canada. As one person told the Commission, "We haven't figured out how to use our culture and identity to our social and economic advantage, to transform us from being proud of who we are to being confident in who we are."

There is a wonderful Newfoundland and Labrador image: the dory. When you row a dory, you do not look in the direction in which you are going; but, in looking at the wharf or beach you have left, you are able to guide your way to the new place. "Renewing our sense of place ... is not to go back; it is to launch out anew. We must reclaim the independent spirit which sustained us over our first 400 years."[12]

Newfoundlanders and Labradorians are very much part of today's world. In our lifestyles, our ways of work, our music, our art, our connections around the world and our interests, we are a modern people enjoying the same experiences and facing the same challenges as Canadians everywhere. We name ourselves Canadians, proudly celebrating the values that make this country great. We have no desire to live in the past or to go back, but we have a deep conviction that the spirit which our ancestors brought here was special and lives on in each one of us. That spirit, that sense of identity, is the source of our belief

that we can make a better future for ourselves and all who will follow us. And that spirit is the unique gift we bring to the Canadian federation.

When Newfoundland and Labrador joined Canada, our nation finally became complete from sea to sea to sea. It remains to Newfoundlanders and Labradorians at home and abroad to ensure that all Canadians know our rich history, rejoice in our uniqueness and understand our challenges. Only in this way will we feel that Canada is made complete by our presence, and that in Canada we have truly found a place of respect and dignity.

Ode to Labrador

Dear land of mountains, woods and snow
Our Labrador
God's noble gifts to us we know
Our Labrador
Thy proud resources waiting still
Their splendid task will soon fulfil
Obedient to thy Maker's will
Our Labrador

E minasshkuat shash tshekat tshe utnakant
(Thy stately forests soon shall ring)
Ninan Napatau (Our Labrador)
Tshe tshemekeishkanut
(Responsive to the woodman's swing)
Ninan Napatau (Our Labrador)
And might floods that long remained
Their raging fury unrestrained
Shall serve the purpose God ordained
Our Labrador

Kakkangit Pisugianga
(We love to climb the mountains steep)
Labradorvut (Our Labrador)
Ubvalu Imakkuluta
(Or paddle on the waters deep)
Labradorvut (Our Labrador)
Our snowshoes scar the trackless plains
We seek no city streets, nor lanes
We are thy sons while life remains
Our Labrador

Labradorvut

Ninan Napatau

Dr. H.L. Paddon wrote the lyrics for this song to the well known tune of "O Tannenbaum". Shirley Montague composed an original melody in 1988, incorporating the Inuktitut translation by Margaret Metcalfe and the Innu-aimun translation by Ann Rich (Nuna

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(Thy stately forests soon shall ring)
Ninan Napatau (*Our Labrador*)
Tshe tshemekeishkanut
(Responsive to the woodman's swing)
Ninan Napatau (*Our Labrador*)
And mighty floods that long remained
Their raging fury unrestrained
Shall serve the purpose God ordained
Our Labrador

Kakkangit Pisugianga
(We love to climb the mountains steep)
Labradorvut (Our Labrador)
Ukvalu Imakkuluta
(Or paddle on the waters deep)
Labradorvut (Our Labrador)
Our snowshoes scar the trackless plains
We seek no city streets, nor lanes
We are thy sons while life remains
Our Labrador

Labradorvut

Ninan Napatau

Dr. H.L. Paddon wrote the lyrics for this song to the well known tune of "O Tannenbaum". Shirley Montague composed an original melody in 1988, incorporating the Inuktitut translation by Margaret Metcalfe and the Innu-aimun translation by Ann Rich Nanas.

Introduction

When, after a popular referendum with a slim majority, the Dominion of Newfoundland joined the Dominion of Canada in 1949, it brought vast new riches into Confederation. It added the diversity of its Aboriginal and non-Aboriginal cultures, the openness and warmth of the people, the beauty of its geography and landscape, and the skills of a workforce of talented women and men. Confederation was a moment of historic significance for Canada and of unprecedented opportunity for Newfoundland. In joining, this province became a partner with nine others, an equal in a growing and prosperous nation.

Although the people were few in number, only 350,000 at the time of Confederation, they entered with much to contribute. The new province had strategic airspace and geographic location, rich land resources and vast offshore waters. Its global position had attracted four American military bases, and the Island provided inherent security for the Gulf of St. Lawrence. It had a history of commercial trade, both with the United States and in Canada itself, and the fishing resources around its coastline and on the Grand Banks were globally renowned. Newfoundland brought forest resources on the Island and in Labrador, powerful hydroelectric resources, particularly on the Churchill River, offshore resources that would eventually encompass significant oil and gas reserves, and mineral resources, including the currently developing nickel deposit at Voisey's Bay. In total, it was a magnificent contribution.

The people of Newfoundland and Labrador are also fully cognizant of the contributions Canada has made to the well-being of this province. Since Confederation, Newfoundland and Labrador's economy has become more diversified, real personal incomes are higher and the overall level of education has risen. Important public infrastructure, including roads, schools and hospitals, has been expanded and improved. Newfoundlanders and Labradorians are benefiting from medicare, Canada Pension, employment insurance and other Canadian social benefit programs. Other large contributions to economic progress have come from the Government of Canada's significant development expenditures, including funding from the Atlantic Canada Opportunities Agency (ACOA) and its predecessor organizations, and from its investment in the Hibernia oil development. In total, Canada has made a magnificent contribution to Newfoundland and Labrador.

Nonetheless, while Newfoundlanders and Labradorians are proud to be Canadian, think the decision to join Canada was a good one and talk little of separation, the Commission has reached the fundamental conclusion that our participation in Canada has come nowhere close to reaching its full potential. There is a stark reality about our relative position in the country, which underlies much of the current discontent in our province. Newfoundland and Labrador has been on the end of a powerful set of circumstances, unique in the country, that places it in a very disadvantageous position. Since Confederation, its hydroelectric resources in Labrador have been developed for the benefit of Québec; its oil resources have been developed in a manner that makes Canada the primary beneficiary; its fishery has all but disappeared under the stewardship of the federal government; double-digit unemployment has persisted for the last 35 years; and, in the last decade, 12 per cent of its population has been lost to out-migration. All of this

Here the tides flow,
And here they ebb;
Not with that dull, unsinewed tread of waters
Held under bonds to move
Around unpeopled shores –
Moon-driven through a timeless circuit
Of invasion and retreat;
But with a lusty stroke of life
Pounding at stubborn gates,
That they might run
Within the sluices of men's hearts ,
Leap under the throb of pulse and nerve,
And teach the sea's strong voice
To learn the harmonies of new floods

E.J. Pratt
Excerpt from *"Newfoundland"*

has manifested itself in a province which has the nation's highest unemployment rate, lowest per capita income, highest rate of out-migration, fastest declining population, some of the highest rates of taxation, highest per capita debt and weakest financial position. The Commission asks: How many alarm bells need to be sounded? How many arguments need to be made that Canada is not meeting the expectations of Newfoundlanders and Labradorians? How many pleas need to be made that something has to be done, that something has to change, that something has to give if Newfoundland and Labrador is ever to renew and strengthen its place in Canada?

Fifty-four years after Confederation, it is abundantly clear that our relationship with the Government of Canada is under considerable and understandable strain. Newfoundlanders and Labradorians feel ignored, misunderstood and unappreciated by their federal government and, to a lesser extent, by other Canadians. There is a deep concern that a future of prosperity and self-reliance is not achievable within the Canada of today. This concern, however, should not be mistaken for regret or loss of hope. The vast majority of people believe in the underlying premise of this Commission – that change, both in our circumstances and in our relationship with Canada, is possible.

The people have reported to this Commission that they want their aspirations affirmed within Canada by a change in the actions and attitudes of their provincial and federal governments. They are aware that some decisions will be difficult, but no more difficult than much of what has happened in the last decade. They want to find a pathway to renewal that will strengthen their place in Canada. They want to know that they are, as they deserve to be, respected partners in Confederation.

It is in this context that this Report has been developed and is presented. The Commission was given the mandate to undertake a critical analysis of our province's strengths and weaknesses, and to make recommendations as to how best to achieve prosperity and self-reliance, with the final goal of renewing and strengthening our place in Canada (see Appendix A). In carrying out that mandate, the Commission listened to Newfoundlanders and Labradorians of all ages and backgrounds within and outside the province.

More than 2,500 Newfoundlanders and Labradorians met personally with the Commissioners as they traveled across the Island and Labrador and as they visited expatriates in Fort McMurray and Toronto. They met people in urban and rural settings, in schools and women's centres and public meeting places, in coastal and inland communities. The Commission brought together representatives from the length and breadth of the province in roundtables focused on specific issues and in dialogues centered on our future. It received written submissions from nearly 250 individuals and organizations. Appendices B and C summarize the outcomes of all these processes. The Commission also developed a research program that produced twenty-eight research papers and two polls, one national and one provincial (see Appendix D for a listing of the papers and a description of the polls). The research papers and the polls are published in their entirety in separate volumes and are also available at *www.gov.nl.ca/royalcomm*.

The Commission, in reflecting on the outcomes of its many meetings, written submissions, dialogues and research papers, identified six principles that permeated almost every conversation or written text. These principles flow from the Newfoundland and Labrador experiences of life from earliest times and are seen by Newfoundlanders and Labradorians today as the fundamental building blocks of a stronger future. The principles can be expressed as follows:

- ***a passion for this place*** – From the Aboriginal people who are bonded to the land and the sea to the expatriate Newfoundlanders and Labradorians in Fort McMurray who long for home; from the men and women from Europe who first settled this "marvellous terrible place"[1] to the recent immigrants who are now making it home; from the artists who paint the barren landscapes to the writers who tell the story of our struggle against all odds; from the athletes who carry our flags with pride to the young students who see themselves first as Newfoundlanders and Labradorians, there is a deep love for this place we call home. Our shared story of struggle and hardship, our distinctive spoken dialects, our feelings for the "rugged sea" and "the big land," and our creative folk arts speak about our sense of place, our spirit, and our love for our culture and tradition. The passion for Newfoundland and Labrador is the source of the energy we will need to renew and strengthen our place in Canada.

- ***a new way of thinking*** – Everyone with whom the Commission spoke called for a new way of thinking about ourselves, our kinds of work and our place in Canada. Newfoundlanders and Labradorians resent our own feelings of dependence and the stereotypes of others about us. We want to see our strengths celebrated throughout Canada. We realize that, in this twenty-first century, we are living in a whole new world of ideas and relationships and possibilities. We know instinctively that the strengths of our proud history can be the sources of a new way of seeing ourselves and of reshaping our society and our economy.

- ***a new kind of relating*** – In a world of instant communications and new forms of democratic participation, we see the possibilities of building on our traditional spirit of community and generosity. We believe that, in a province as small as ours, we have a unique opportunity to build cohesive linkages among responsive municipal and provincial governments, dynamic unions, innovative businesses and an energetic voluntary sector. All would then work toward the same vision of an inclusive society respecting the rights, and benefitting from the strengths, of all persons and respecting the natural environment. We further believe that we can work to create new alliances and partnerships with the federal government, other provinces and other Canadians. In this new age, the image of "the fighting Newfoundlander" differs not in its passion or energy, but in its way of creating change.

- ***a belief in ourselves*** – Our traditional sense of our uniqueness, courage and creativity has been weakened by our fears of inferiority and stereotypes. Just as we experienced a cultural revival in the 1970s that has blossomed into a vibrant, internationally renowned artistic expression today, we are now ready for a reclaiming of our spirit that commits us to "do it ourselves," to take responsibility for our own destiny, to have the courage to make hard choices for a better future. Our history of surviving innumerable harsh realities gives us the confidence to go forward; our hope for a different future gives us the reason to go forward.

- ***a time for action*** – The Commission was told time and again that we no longer have the luxury of waiting for more studies and more consultation. The threat to rural Newfoundland and Labrador, the fears of further out-migration, the growth of our provincial debt and the small window of opportunity open to us are all reasons why we must act now. Although that action must be rooted in a new way of thinking and relating, it cannot be delayed or lacking in focus. The survival of our province is the cost of not acting. The creation of a new, vibrant province that offers hope to its residents is the outcome of deliberate decisions and sustained action.

- ***a determined hope for the future*** – The greatest barrier to a renewed and strengthened Newfoundland and Labrador in Canada is the belief that no one will listen, that the people of the province will not pull together, or that the province is too small to cause the federal government to care or respond. Breaking down that barrier is the key task of leaders throughout the province. Without the vision for a renewed place and the hope that it can be attained, people will not be able to build on the strengths that the Commission saw everywhere it traveled and in everyone it met. The sources of hope are everywhere in this province. Leaders have to help draw out that hope and help us see how much we can and must achieve together.

These underlying principles were threaded throughout the Commission's work. Each one is positive in itself, but each one alone can achieve little. All six linked together can become the foundation on which our future will be built. The intent of this Report is to assess the realities of the present moment in our province and to suggest a direction that has the security of being grounded in the integration of these six principles.

The Commission's report, which begins with a reflection on our sense of place, is structured around seven sections:

- the need for a new partnership and a pathway to renewal (Section 1)
- the expectations of Newfoundlanders and Labradorians as we entered Confederation (Section 2)
- the extent to which our expectations have been met over the past 54 years (Section 3)
- the opportunities within our federation that are key in determining our success in realizing the expectations (Section 4)
- a summary of the key elements of the pathway to renewal and the challenges inherent in taking this pathway (Section 5)
- appendices (Section 6)
- notes (Section 7)

A summary report for easier access accompanies this Report and is written in the languages of the early Aboriginal and original European settlers of Newfoundland and Labrador – Inuktitut, Innu-aimun, Mi'kmaq, English, and French – as well as Braille.

"Getting rid of the "poor cousin" myth must start at home. It must start with a new mindset and vision for our future that is not simply held by government, but by all of us Newfoundlanders and Labradorians."

Excerpt from the Public Consultations

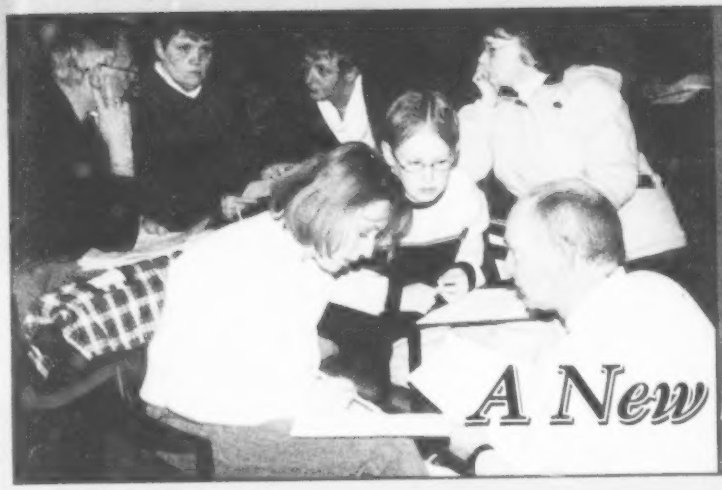
Section 1

Foundation for the Pathway to Renewal

©Gilbert Hay
Inuksuk

1981, Lithograph, 4/14
Memorial University of Newfoundland Permanent Collection
Art Gallery of Newfoundland and Labrador, The Rooms

Chapter 1



A New Partnership

Newfoundland and Labrador is a province in the best country in the world. Yet Newfoundlanders and Labradorians fear they are losing their place in this country; indeed some wonder if they have ever found it in the 54 years they have been in the federation. They have a strong desire not only to remain in Canada, but to find ways in which their province can become a more respected and fully contributing member of the federation. Newfoundlanders and Labradorians want a renewed and strengthened place in Canada.

The people of Newfoundland and Labrador want a change to a mind-set that embraces the concept of being relentlessly present-minded in analyzing our challenges, and relentlessly future-minded in tackling them. This new state of mind means looking to the future and not dwelling on the past, taking more responsibility for ourselves, and working cooperatively while promoting a culture of excellence. A poll carried out for the Commission found that 58 per cent of a representative group of people from Newfoundland and Labrador believe that it is neither the federal government, nor the provincial government, but the people themselves who need to take most responsibility for the future prosperity of this province.[1]

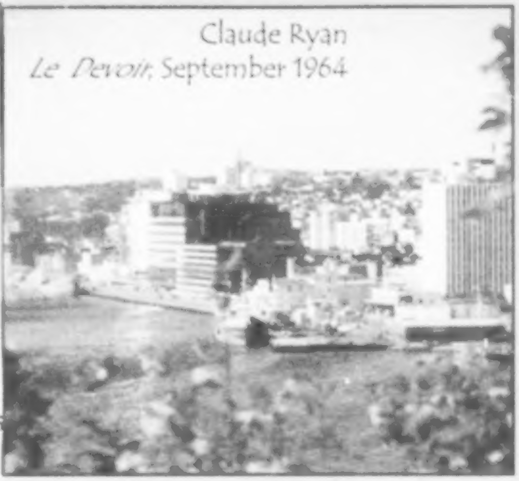
A New Relationship

If seeing themselves through a new lens is the first step in renewing and strengthening their place, then developing a new relationship with the Government of Canada must be the second step. The challenge is how to forge a pathway to renewal, how to ensure that the people of a small province with little apparent influence can envisage, and then create, a new relationship between their provincial government and their federal government. This was the challenge presented to the Commission as it deliberated on the information it had received.

Certain key qualities would have to characterize any new, effective relationship between the provincial government and the federal government. A true partnership would be based on collaboration between the governments and between their senior officials, with an ongoing commitment to understanding each other's challenges, concerns and capacities. Their working relationships would transcend partisan interests, and would be marked by respect and an absence of dismissive or condescending attitudes. Such a partnership would be firm enough to withstand major crises, flexible enough to accommodate special circumstances, and creative enough to find solutions to unique needs. Both governments would have to be transparent in their dealings with each other, and to be resolute if either feels that the other has violated values or agreements. Building on the values which have marked the history of Canada and the history of Newfoundland and Labrador, the partnership would operate within the framework of the federation while influencing the ongoing evolution of the federation. This kind of relationship does not exist today.

Many would suggest that seeking such a relationship would be futile, a waste of time and energy. Such a view is understandable, especially given the fact that the relationship to date has not resulted in a sufficient narrowing of the gaps we experience in unemployment rates, per capita income, taxation, per capita debt,

> ils envisagent cette réforme comme devant être le fruit de conversations et d'accords loyaux entre les deux groupes. Ils veulent atteindre l'objectif par le cheminement du dialogue plutôt que par la méthode des ultimatums. Mais ils reconnaissent, au départ, que le cadre politique canadien est celui à l'intérieur duquel ils cherchent une solution.
>
> They see that this reform ought to be made up of conversations and faithful agreements between the two groups. They wish to obtain this objective by the road of dialogue rather than by the method of ultimatums. But they recognize at the outset that it is within the Canadian body politic that they look for a solution.



Claude Ryan
Le Devoir, September 1964

and rate of out-migration. It has not enabled us to effectively use the strengths of our natural resources to help us break out of our cycle of dependency. It has not given us the sense that we are respected as a fully constituted province in this federation of ten provinces. Those holding this view believe it is unrealistic to expect that the federation will change or, indeed, that the federation is capable of changing. During the course of the Commission's deliberations, public anger manifested itself in voices calling for a strident approach in the Commission's final report. There were calls for: (i) a referendum under the Clarity Act, (ii) a constitutional challenge of the adequacy of the current equalization program, and (iii) a negligence action against the federal government for its mismanagement of the fishery.

The Commission understands both the intellectual and emotional basis for arguments in favour of a more militant approach, but it is also strongly of the view that militancy is not a basis for a successful long term relationship with the federal government. It is entirely unrealistic to think that we could ever renew and strengthen this province without a positive relationship between our two elected governments. That is not to say that a respectful relationship between both governments rules out the need for strong actions from time to time. Indeed, inherent in a collaborative relationship in a federation like Canada is the inevitability of conflict and disagreement. Such conflict, however, cannot form the basis of an ongoing relationship. The Commission concludes that the building of a new relationship, rooted in the Canadian way of governance, is a risk worth taking.

More importantly, the Commission is of the view that Canada is capable of and ready for the change in approach that Newfoundland and Labrador requires. Canada has a history of constantly renewing and adapting itself to new times and new circumstances. From 1867 when the first four provinces came together to constitute the foundation of this country, to 1982 when Canada's Constitution was patriated, to 1985 when the Atlantic Accord was signed, to 1999 when Nunavut became the newest Territory, Canada has always been open to, accepting of and growing through change. Today, many Canadians believe it is time for yet another transformation. As Ross Reid, senior consultant to the National Institute of Intergovernmental Affairs and former Cabinet minister from Newfoundland and Labrador told the Commission: "We know as we start the new millennium that the country is not working as well as it could, more importantly, not working as well as it should."[4]

At the same time, as many people in Canada are asking for significant change in the federation, there is an unusual coming together of new governments and new leaders, both federally and provincially. At the federal level, three of the party leaders are relatively new in their mandates, and the fourth party will have named its new leader in November 2003. A new prime minister will be in office in February 2004. Québec, Manitoba and New Brunswick have recently elected new governments. It is likely that the provinces of Saskatchewan, Ontario, Nova Scotia, and Newfoundland and Labrador will go to their respective electorates within the coming year. Never, in recent memory, has there been such an opportunity for this country to renew its way of being to better respond to the hopes and dreams of Canadians and ensure that Canada remains "the best country in the world." This is an opportune time for the people of this province to reflect with other Canadians on the kind of Canada we want and need. It is a time which offers exciting possibilities for a new relationship between governments as the first step in creating this new kind of Canada.

Commitment to the Pathway

The new relationship cannot be simply a theory or an idea. Governments will have to change what they do and how they do it. The commitment to create a new partnership and a pathway to renewal would mean the following:

1. The province's commitment would be reflected in its own new partnership, based on social inclusion, with the people of this province.
2. The provincial government's readiness to follow the pathway would be evident in its renewed commitment to the prudent management of its financial affairs.
3. The new pathway would attempt to mitigate the vulnerability of rural Newfoundland and Labrador reflected in the loss of the fishery and the painful out-migration of so many people.
4. The pathway would seek new ways to address the collapse of the groundfish fishery and the sustainability of the shellfish fishery with their implications for the future of this province.
5. Renewed efforts would be made to readjust the equalization arrangements and other federal/provincial transfer programs.
6. The province would build on the potential strengths of the wealth of its natural resources. This would mean new approaches to sharing offshore oil revenues in a way consistent with past promises, and to securing future economic benefits from the hydroelectric potential of the Churchill River.
7. The provincial government would focus on ways to strengthen the partnership through improved federal institutions, and a new provincial approach to intergovernmental affairs and alliances with other provinces and other Canadians.

As it envisages this new partnership and pathway to renewal, the Commission is not suggesting that Newfoundland and Labrador can become an Alberta of the East, or that it can rapidly progress leaving other provinces in its wake. On the contrary, the provincial government must work hand in hand with the federal government not only to ensure that the province does not fall further behind, but that it progresses at a reasonable pace. The unacceptable alternative is the status quo, entrenched by a federal system unable or unwilling to respond seriously and respectfully to the unique circumstances facing Newfoundland and Labrador. The cost of doing nothing is high, not just for Newfoundland and Labrador but for Canada as well.

Conclusions

As it begins the process of considering ways of renewing and strengthening Newfoundland and Labrador's place in Canada, the Commission believes that the foundation must be a new relationship between the federal and provincial governments. This relationship would be framed within collaborative federalism, and would be characterized by cooperation, mutual understanding, respect and flexibility. Our two elected governments would be committed to creating a partnership that would forge a pathway to renewal addressing the major concerns and challenges facing this province. While many would suggest that such an approach will be dismissed as impossible to achieve, the Commission believes that the time is right to advocate for such an approach, the country is capable of change, and therefore that the risk is worth taking.

The chapters that follow build on the intent of this new partnership by assessing in more detail the need for such an approach, determining the potential in the federation for the creation of such a partnership, and identifying the key elements along the pathway. It will be the provincial government's success in reshaping that different relationship with the federal government that will be a determining factor in whether a renewed and strengthened place in Canada is possible for Newfoundland and Labrador.

"The challenge is not to get out of Confederation but to get into it."

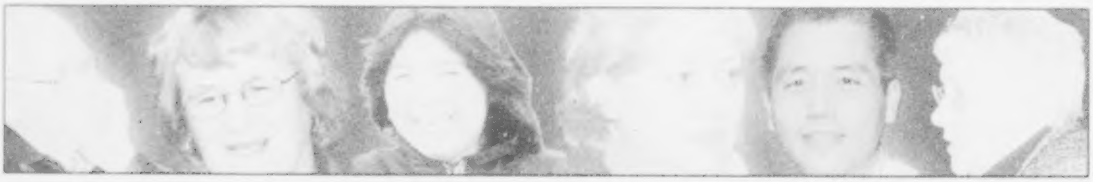
Excerpt from the Public Consultations

"I believe that Newfoundland and Labrador is at a crossroad in its history, and it is at this point that our government and its people must endorse a new approach in our relations with the federal government."

Excerpt from the Public Consultations

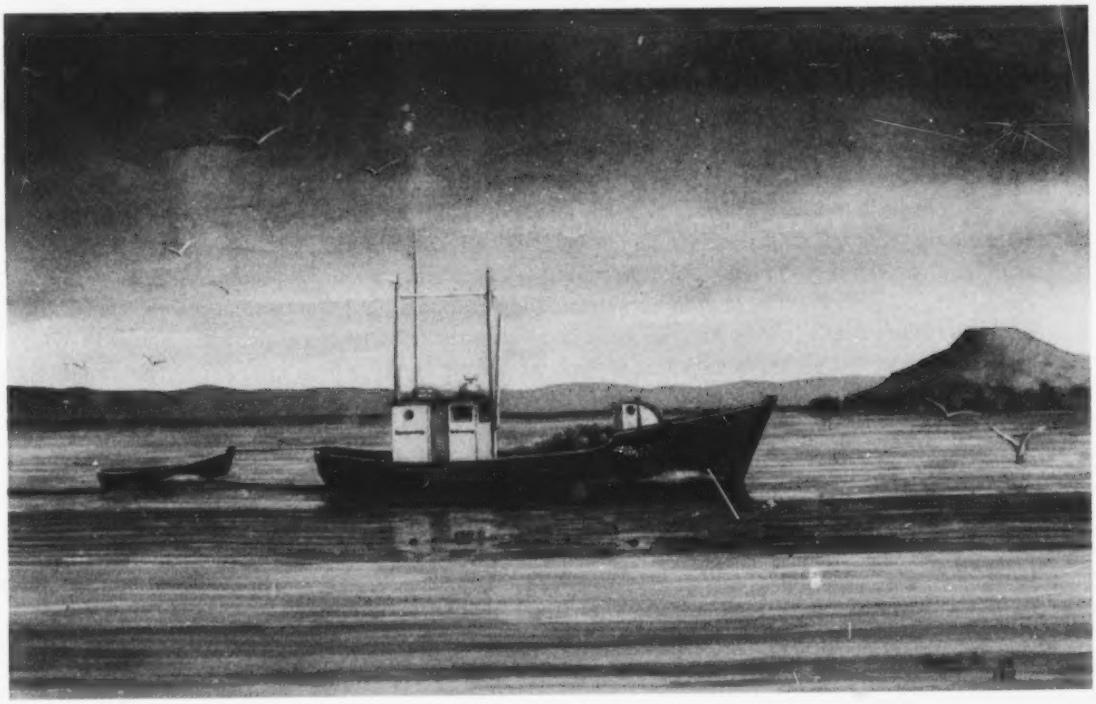
"Without any doubt, I believe the next five to ten years will be a watershed for the province in all aspects of society. Analyzing our role within Confederation will serve as the genesis of a greater plan towards greater prosperity."

Excerpt from the Public Consultations



Section 2

Expectations on Entering Confederation



©Reginald Shepherd
The Cape St. Francis Off Burnt Head

1972, Watercolour
Memorial University of Newfoundland Permanent Collection
Art Gallery of Newfoundland and Labrador, The Rooms

Chapter 2

Expectations as We Joined Canada

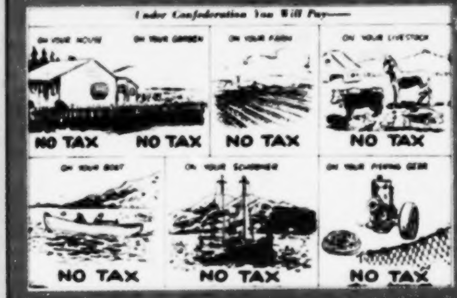
The Commission's terms of reference require a review of the expectations of the people of Newfoundland and Labrador prior to joining Canada. Some may question the wisdom of looking to the past at the beginning of a forward-looking final report. In the opinion of the Commission, it is critically important. One of the most interesting and enriching stages of the Commission's work was a focused discussion with a group of Newfoundlanders and Labradorians who were adults at the time of Confederation. This Expectations Roundtable reminded the Commission of an obvious but often overlooked fact. The process of joining Canada remains part of the living memory of this place. It continues to shape and explain our expectations for Newfoundland and Labrador's place within Canada. Canadians need to understand that memory and the unique perspective it continues to inspire.

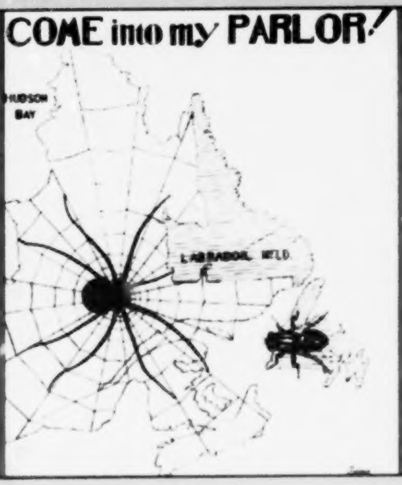
This chapter examines two different types of expectations. The first are those that were held by the people of Newfoundland and Labrador. Unlike other provinces, the decision to join Canada was made by the people. Those who decided to vote in favour of Confederation did so with certain hopes and expectations. The extent to which those hopes and expectations have been met shape Newfoundlanders and Labradorians' collective assessment of this province's place in Canada today and what it should be into the future. The second type of expectations relates to the manner in which the federation would function — how the federal and provincial governments would interrelate on an ongoing basis to address challenges facing Newfoundland and Labrador. Newfoundland and Labrador, like British Columbia and Prince Edward Island before it, negotiated the terms upon which it joined Canada. The negotiation of the Terms of Union, as much as the written terms agreed to, created an expectation regarding the nature of the country Newfoundland was about to join.

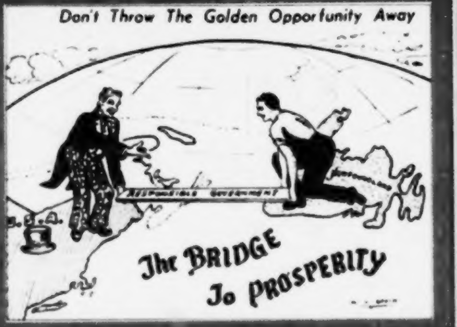
Becoming Canadian

Before proceeding further, it is necessary to set out briefly the processes and events leading to the two referendums of 1948. In a paper prepared for the Commission, historian Melvin Baker provides a detailed overview of these processes and events.[1] The paper also discusses ongoing controversies, such as what influence was exerted by Canada and the United Kingdom and whether the process was engineered to ensure Newfoundland's entry into Confederation.[2]

While Newfoundland and Labrador today can be said to be a country in spirit, it is important to remember that prior to Confederation it was one in fact.[3] That Newfoundland would sacrifice its political independence to join Canada was not a realistic possibility prior to the late 1940s. In fact, the choice was rejected in the Newfoundland general election of 1869, two years after the formation of Canada. Newfoundland's focus, then and for many decades thereafter, was on building its economy and maintaining political independence.[4]







Posters used during the Confederation Debate

Newfoundland's progress toward an independent place in the world was dealt a severe blow by the world depression, which started in 1929. Newfoundland was in a particularly vulnerable position due to the large public debt it had amassed. The size of the debt was attributable to financing railway construction and maintenance, the costs associated with Newfoundland's participation in the First World War and loans taken out in the 1920s for public works expenditures.[5] The depression battered the Newfoundland economy, with exports being cut almost in half between 1930 and 1933. The numbers of persons requiring government assistance for basic necessities swelled dramatically. With greater social needs and a declining ability to pay, the public debt soon grew out of control. By 1933, interest charges on the debt accounted for 65 cents of every dollar spent by the Newfoundland Government.[6]

Faced with the real prospect of bankruptcy, the Newfoundland Legislature made a formal request to the British Government to suspend Newfoundland's Constitution until the country became self-supporting again, and to replace the Legislature with a Commission of Government. On February 16, 1934, the Constitution was suspended and a British-appointed Commission of Government (consisting of three Newfoundlanders, three Britons and a British governor) assumed office.[7]

The request made by the Newfoundland Legislature and the legislation that instituted the Commission of Government[8] reflected the understanding that responsible government would be returned on request from the people when Newfoundland was again self-supporting. But, many questions remained unanswered, such as what constituted "self-supporting" and the procedure by which Newfoundlanders and Labradorians would make such a "request." What seemed clear, however, was that only one alternative to the Commission of Government was possible – a return to responsible government.

With the outbreak of the Second World War, unemployment virtually vanished and Newfoundland's fiscal position improved to such an extent that it was able to provide interest-free loans to Britain. The principal cause of this dramatic turnaround was the significant presence and expenditures of the Canadian and American military, both of which had established military bases on the Island and in Labrador to defend North America from attack. This wartime boom did not change the fact that Newfoundland still faced daunting economic and social challenges. The enormity of the task is illustrated by the cost of a proposed postwar reconstruction program developed by the Commission of Government, which in 1944 had a projected cost of $100 million.[9] Nonetheless, the relative prosperity prompted many to turn their minds again to Newfoundland's constitutional future.

On December 11, 1945, the Prime Minister of the United Kingdom, Clement Attlee, announced the process by which Newfoundlanders and Labradorians would determine their future place in the world. A National Convention of elected Newfoundlanders and Labradorians[10] would be convened to:

> ...consider and discuss amongst themselves, as elected representatives of the Newfoundland people, the changes that have taken place in the financial

> situation of the Island since 1934, and bearing in mind the extent to which the high revenues of recent years have been due to wartime conditions, to examine the position of the country and to make recommendations to His Majesty's Government as to the possible forms of future government to be put before the people at a national referendum.[11]

The National Convention assumed its mandate on September 11, 1946, and dissolved on January 30, 1948. All elected delegates to the National Convention were male, as the two female candidates were not elected.[12] In the course of its work, the National Convention sent a delegation to Ottawa to ascertain the basis that might exist for the union of Newfoundland and Canada. The discussions were detailed and resulted in draft terms of union proposed by Canada, which were introduced to the National Convention prior to the two referendums of 1948. The National Convention also authorized the sending of a delegation to London to ascertain the support Newfoundland could expect from the United Kingdom should there be a return to responsible government. The response to the Newfoundland delegation was clear. If Newfoundlanders and Labradorians returned to responsible government, there would be no financial assistance forthcoming from the United Kingdom.

On January 22, 1948, the National Convention unanimously passed a resolution recommending to the British Government that two options be put before the people of Newfoundland and Labrador: a return to responsible government, or maintenance of the existing Commission of Government. The leading proponent of Confederation, Joseph Smallwood, introduced a motion to include union with Canada on the ballot, based on the draft terms of union proposed by Canada in 1947. The National Convention, however, rejected this motion by a vote of 29 to 16.[13]

Despite this rejection, the British Government placed Confederation on the referendum ballot. On March 11, 1948, it announced that three options would be put before the people:

- Commission of Government for a period of five years;
- Confederation with Canada; and
- Responsible Government as it existed in 1933.

If one option did not receive a majority of support, the option receiving the least votes would be dropped from the ballot in a second referendum. While economic union with the United States was not an option placed on the ballot (or recommended by the National Convention), a party advocating this option campaigned in favour of responsible government, as it was seen as the first step toward greater economic ties with the United States.[14]

The Expectations Roundtable provided the Commission with first-hand recollections of the passion and intensity of the campaigns that preceded the 1948 referendums. The campaigns were hard fought and created a great deal of strain within our society. Bitter divisions developed at the family, community and regional level. The decision to join Canada was not an easy one for the people of Newfoundland and Labrador.

The results of the first referendum, held on June 3, 1948, did not favour Confederation with Canada. A return to responsible government received 45 per cent support, followed by Confederation and Commission of Government at 41 per cent and 14 per cent respectively. In the second referendum, held on July 22, Confederation with Canada narrowly defeated a return to responsible government. By an extremely slim margin – 52 per cent vs. 48 per cent – Newfoundlanders and Labradorians decided to have faith in a future within Canada.

Popular Expectations

In considering a future union, Newfoundland and Canada held different expectations for life together. Canada's analysis was more bureaucratic than personal. The decision to unite (whether it be yes or no) had little chance of having an appreciable and immediate impact on the lives of most Canadians. That said, Canada wished to have a clear understanding of both the advantages and disadvantages of union with its smaller neighbour. In May of 1946, an interdepartmental committee of senior civil servants was formed to gather detailed information on Newfoundland in preparation for possible future negotiations. A cost-benefit analysis was prepared,[15] which indicated that the projected cost of financial assistance to the new province would be about $15 million dollars annually. However, it must have been great comfort to look at some of the prospective benefits to Canada:

- The addition of Newfoundland to the territory of Canada would fulfill the dream of the Fathers of Confederation in 1867 of a nation stretching from "sea to sea."
- Newfoundland was Canada's eighth largest customer of its goods, and Confederation would increase the average annual worth of the Newfoundland market from $25 million to about $40 million.
- Newfoundland would also provide Canada with substantial fisheries, forests, mineral and hydroelectric resources, especially in Labrador.
- With Confederation, Canada would no longer have to worry about its defence and civil aviation rights in Newfoundland, or the use an independent Newfoundland might make of the American presence to extract future concessions from Canada.

It is difficult to bring together in a statement or list the expectations Newfoundlanders and Labradorians had for Confederation. Through written submissions and public meetings, the Commission heard that there was a wide spectrum of expectations – both positive and negative – for what life within Canada would bring. That diversity is illustrated by the expectations shared with the Commission by participants in the Expectations Roundtable:

- Access to Canadian social programs such as family allowances and old-age pensions, which would improve the standard of living for many.
- Improved public services such as health care, education and transportation services (e.g., the ferry and the railway).
- A decrease in the cost of many goods due to the lifting of tariffs and customs that had been imposed on Canadian goods entering Newfoundland.
- Economic growth and prosperity from the development of known natural resources, especially the mineral resources of Labrador.
- Treatment within the Canadian family as "equal partners, not poor cousins."
- Increased taxation and regulation.
- Labrador Inuit expectations that their language and culture would be recognized.
- A loss of local manufacturing with the influx of cheaper Canadian-made goods.

From the Expectations Roundtable the Commission also learned that the people did not have a good understanding of the draft terms of union proposed by Canada. It was a more general sense of what Confederation would mean for their daily lives that inspired a majority to have faith in Confederation. People appreciated that there were many risks, ranging from increased taxation to a weakening of local identity. But people hoped that Confederation would bring a standard of living comparable to that of Canadians and provide a real chance for Newfoundland to realize its true economic potential.

Expectations of the Federation

As stated previously, the Commission is of the view that the process of negotiating the Terms of Union, as much as the written terms agreed to, created an expectation regarding the nature of the country Newfoundland was about to join. In a paper prepared for the Commission, lawyer Stephen May provides an overview of the Terms of Union with insightful analysis into the forces that gave shape to the final document.[16] The Commission's thinking on this matter was also assisted by the Honourable Gordon Winter, a participant in the Expectations Roundtable. As many people in Newfoundland and Labrador will know, Mr. Winter was a member of the Newfoundland delegation sent to negotiate the final Terms of Union in 1948.

Mr. Winter advised that the 1948 Newfoundland delegation had developed a long "shopping list" of matters they hoped could be included in the Terms of Union. The delegation, however, had three non-negotiable items that it wanted addressed before discussing other matters.

- The first was an assurance that the Government of Canada accepted the Judicial Committee of the Privy Council's 1927 Labrador boundary decision, and that, within Canada, Labrador would form part of the Province of Newfoundland. While it is hard to imagine that Canada would disagree with the constitutional entrenchment of what its highest court had determined, it did take some time to consider this matter. In the end, Canada agreed.[17]
- The second was that the ferry between Port aux Basques and North Sydney would be an essential part of Newfoundland's union with Canada, and should therefore be taken over and paid for by the Government of Canada. On this point, agreement came quickly, as the ferry service would be advantageous to both Canada and Newfoundland.[18]
- The third was an assurance that Newfoundland would be able to continue to manufacture and sell margarine. After some debate, Canada agreed to constitutionally protect the manufacture and sale of margarine in Newfoundland, but retained its powers to prohibit and/or restrict the export of margarine from the new province.[19]

Mr. Winter explained that Canada then issued its bottom line; one which would severely limit the type of constitutional arrangements Newfoundland could expect to negotiate. Canada was unwilling to negotiate terms that would constitutionally provide Newfoundland with special treatment, as such a move would upset relations with the other provinces. Subject to only a few exceptions (such as Newfoundland's non-negotiable items, none of which caused Canada any great concern and all of which could be defended by existing precedents),[20] the Terms of Union should be limited to facilitating Newfoundland's transition to the status of province on a basis equal to that provided for the other provinces. The constitutional shape of Canada was not up for negotiation.

The problem, of course, was that Newfoundland faced unique challenges that required special treatment. In many respects, it was not on an equal footing with the existing provinces. However, whenever the Newfoundland delegation sought a constitutional approach to tackling challenges, it faced a consistent response: "We're sorry, but we have to treat all provinces alike."[21]

Canada was not totally insensitive to the challenges facing Newfoundland, but it insisted that these matters would have to be addressed by government policy decisions on an ongoing basis, not by constitutional guarantees. Newfoundland would have to rely on the good faith, vision and courage of successive federal governments in addressing obstacles to its full participation in Confederation.

Term 29 of the Terms of Union provides a good illustration of the distinction between a constitutional guarantee and faith in future federal actions. Newfoundland was very concerned that the financial terms (23 to 27[22]) together with other payments from the Government of Canada and provincial revenues would not be sufficient to allow Newfoundland to meet its new provincial responsibilities on an ongoing basis. The Government of Canada, however, refused to guarantee financial assistance fundamentally different from that provided to the other provinces. The agreed approach was Term 29:

> In view of the difficulty of predicting with sufficient accuracy the financial consequences to Newfoundland of becoming a province of Canada, the Government of Canada will appoint a Royal Commission within eight years from the date of Union to review the financial position of the Province of Newfoundland and to recommend the form and scale of additional financial assistance, if any, that may be required by the Government of the Province of Newfoundland to enable it to continue public services at the levels and standards reached subsequent to the date of Union, without resorting to taxation more burdensome, having regard to capacity to pay, than that obtaining generally in the region comprising the Maritime Provinces of Nova Scotia, New Brunswick, and Prince Edward Island.

Term 29, of course, only obligated the Government of Canada to appoint a Royal Commission within a specified time, nothing more. Much was left up to faith. In 1953, the provincial government appointed its own Royal Commission, chaired by Philip Lewis, to prepare the province's case on Term 29. The product was a thousand-page report which set out in great detail the challenges and needs to be addressed under Term 29. In the opinion of the Lewis Commission, the minimum level of assistance required to meet the express objectives of Term 29 was an annual grant of $15 million.

The Government of Canada met its constitutional obligation under Term 29 by establishing a Royal Commission, chaired by New Brunswick Chief Justice John McNair. The report of the McNair Commission was disappointing to Premier Smallwood who had always expressed great confidence in the potential of Term 29 to accelerate Newfoundland's economic and social progress within Canada. Released in July of 1958, the McNair Commission's final report recommended that the transitional grants provided for in Term 28 be adjusted upwards to $8 million until 1962, and that the same amount be paid thereafter.

As disappointing as the recommendation was, it paled in comparison to the reaction of the federal government. Prime Minister John Diefenbaker declined initially to accept the McNair Commission's recommendation regarding financial assistance after the year 1962. This decision sparked an intense war of words between Prime Minister Diefenbaker and Premier Smallwood and marks one of the low watermarks of the province's relationship with the federal government. In the end, it was not until the fall of the Diefenbaker government that Canada finally agreed to respect the recommendation in full. The inadequacy of the Term 29 award was softened somewhat by the start of a new national program in 1957 with similar objectives, which would come to be known as equalization. In a very short time, equalization payments would eclipse those made pursuant to the Terms of Union. It was a reminder that finding our place in Canada would be, as suggested in 1948, an ongoing negotiation.

Conclusions

In reflecting on the expectations of Newfoundlanders and Labradorians prior to joining Canada, the Commission makes the following conclusions:

- Newfoundlanders and Labradorians entered Confederation with the expectation that they would be full citizens of Canada, that they would share the living standards enjoyed by all Canadians, and that their province would have the financial resources to support these standards.

- Through the process of negotiating the Terms of Union, Newfoundland and Labrador came to understand that finding its place in Canada was a task that could not be fully addressed by formal constitutional arrangements or guarantees. Rather, challenges to Newfoundland and Labrador's full participation in the federation could be addressed by government policy decisions on an ongoing basis. This view of Canada as a work in progress highlights the importance of a positive, respectful and constructive relationship between the federal and provincial governments. The pathway to renewal is a course of actions and a way of thinking designed to assist Newfoundland and Labrador and Canada to meet this expectation for their mutual benefit.

"When joining this country our forefathers carried with them all the hopes and aspirations of a young, eager, and intelligent society determined to enhance the lives of their families and provide a greater promise for their children. Indeed, the possibilities were endless in the greater union of Canada, a nation still relatively young in a sea of larger nations and established empires."

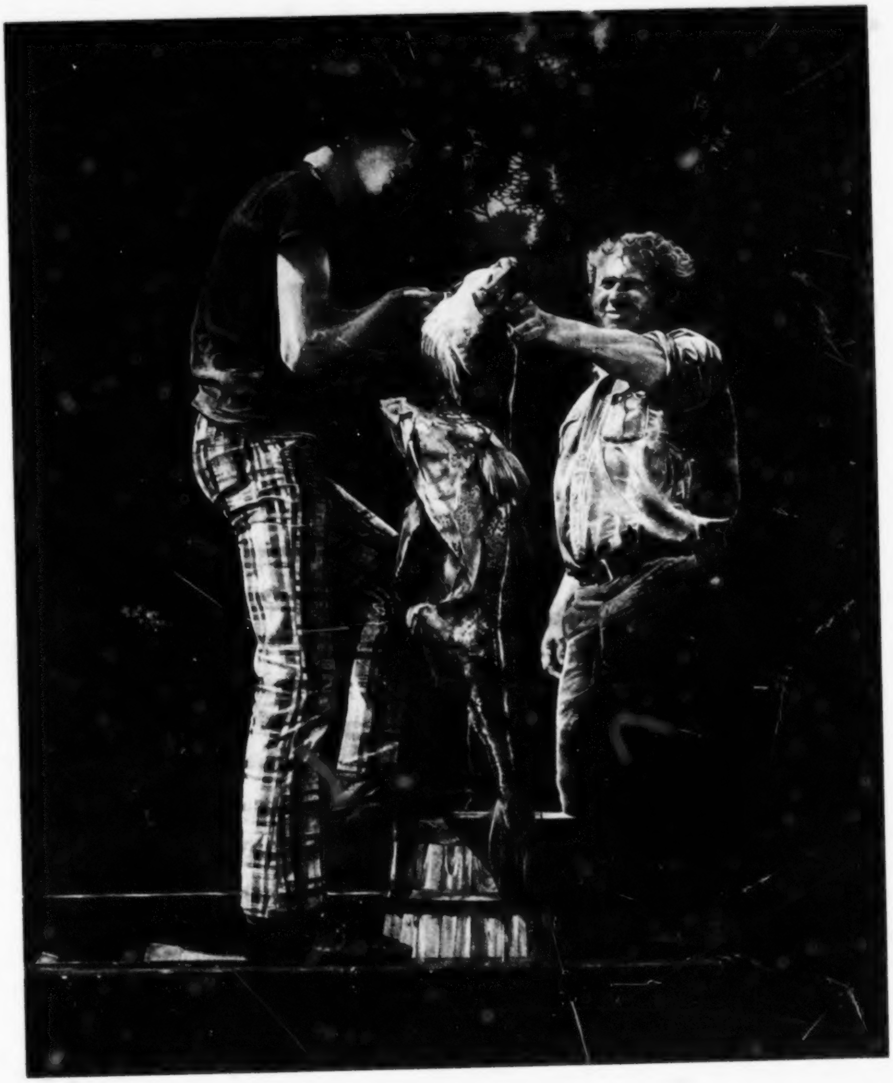
Excerpt from the Public Consultations

"Confederation brought many changes. One of the biggest and most important in my mind is an end to the poverty experienced by seniors, the underprivileged and the unemployed."

Excerpt from the Public Consultations

Section 3

Our Fifty-Four Years in Confederation



©Mary Pratt
Another Province of Canada

1978, Oil on Panel
Memorial University of Newfoundland Permanent Collection
Art Gallery of Newfoundland and Labrador, The Rooms

Chapter 3

Experiences Within Canada, 1949-2003

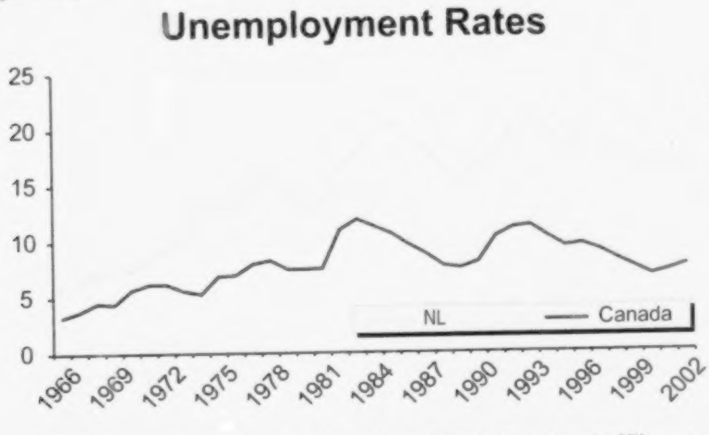
Newfoundland and Labrador has been shaped profoundly by its evolving place in Canada, and the people have been shaped by their identity as Canadians. By most social and economic indicators, they are wealthier, healthier, and live in a much more developed and sophisticated society than their parents and grandparents who lived through the 1930s and 1940s. There can be no doubt that, in absolute terms, this place has progressed since it joined Canada and, to an uncertain extent, because it joined Canada. A more sombre assessment arises when this province is compared with the rest of Canada. Here it becomes clear that our relative position as the poorest province has not changed since 1949.

Measuring Economic and Social Progress

At the time of Confederation with Canada, and despite a strong economic recovery over the 1940s, Newfoundland and Labrador seriously lagged behind Canada in terms of economic performance. Since 1949, this province has made enormous progress, but compared to the rest of Canada, and despite having more than half a century to catch up, the gaps have remained persistent.

The most troubling economic disparity continues to be unemployment. For the first two decades after Confederation the province's annual unemployment rate was volatile, ranging from a low of 5.9 per cent to a high of 20.5 per cent. Since 1973, the rate has not fallen below 13 per cent. Figure 3.1 compares the Canadian and Newfoundland and Labrador rates for the years 1966 to 2002.

Figure 3.1



Source: Statistics Canada; Economics and Statistics Branch, Department of Finance.

Note: Due to a change in methodology, rates for 1966 to 1975 are not directly comparable to those of later years.

> How strange that they hadn't made today a holiday – after such an epic battle surely some celebration was in order but no, they were afraid, my father said, there might be riots if people were given time off. He had ruffled my hair on his way downstairs at seven o'clock, comforting me, or perhaps himself, for I didn't need comforting. "It may not be so bad... anyway it's done now and we're Canadians, we'll have to make the best of it!" He'd gone off to work, wearing the same overalls and carrying the same scraped, black lunch tin. What would change for him, I wondered.
>
> Bernice Morgan
> From the short story "To Mark The Occasion"

Over that 36-year period, the unemployment rate in this province was always higher than the national figure by a wide margin. In 2002, it was 16.9 per cent compared to the national figure of 7.7 per cent. This is a significant difference and a much larger one than existed in the late 1960s. Unfortunately, there is no obvious trend to suggest that the gap is narrowing.

Moreover, the province's unemployment rate has been the highest among the provinces. Prince Edward Island had the next highest rate at 12.7 per cent, followed by 10.3 per cent in New Brunswick; all other provinces had rates below 10 per cent.[1]

The unemployment problem is shared by both men and women. Table 3.1 below shows a breakdown of the unemployment rates by gender for 1966 and 2002, comparing this province's outcomes with the national averages.

Table 3.1

Unemployment Rates for Males and Females in 1966 and in 2002

	1966	2002
Newfoundland and Labrador	8.6 %	16.9%
Males	10.5%	18.1%
Females	2.9%	15.4%
Canada	3.6%	7.7%
Males	4.0%	8.1%
Females	2.6%	7.1%

Source: Economics and Statistics Division, Department of Finance, Government of Newfoundland and Labrador

Note: Rates in 1966 and 2002 are not directly comparable due to different methods of measurement that were used in those years.

Table 3.2 shows the labour force participation rates of men and women for 1966 and 2002, comparing Newfoundland and Labrador with Canada as a whole. The participation rate is the percentage of the adult population considered to be in the economy's labour force, whether employed or not. As the table shows, the provincial and national participation rates in 2002 were much higher than in 1966, rising from 55.1 per cent to 66.9 per cent nationally, and from 44.1 per cent to 58.6 per cent in the province. In both cases, the increase is largely due to the increase in women's labour force participation rates. A comparison of the national and the provincial rates shows, however, that those of Newfoundland and Labrador still lag considerably behind. It is reasonable to suggest that, if the participation rates in this province had been the same as the national ones, the gaps in unemployment rates would have been even higher than shown in Figure 3.1.

Table 3.2

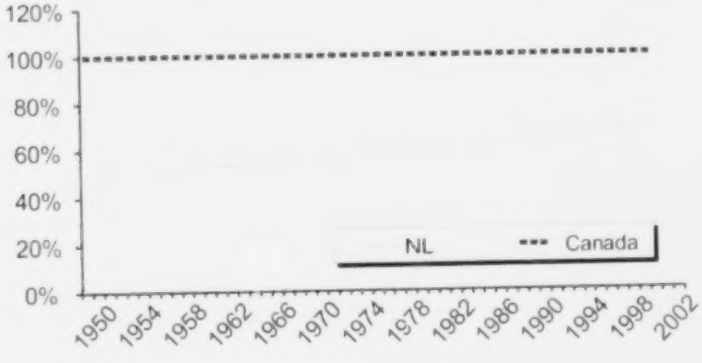
Labour Force Participation Rates for Males and Females in 1966 and in 2002	1966	2002
Newfoundland and Labrador	44.1%	58.6%
Males	64.8%	64.1%
Females	22.2%	53.4%
Canada	55.1%	66.9%
Males	77.8%	73.3%
Females	32.8%	60.7%

Source: Economics and Statistics Branch, Department of Finance, Government of Newfoundland and Labrador

There are other disparities of concern relating to income. Figure 3.2 shows earned income per capita in this province relative to earned income in Canada. Earned income means income from wages and salaries, investments and business earnings. It excludes pension plan income and any "transfer payments" from any level of government (e.g., employment insurance, social assistance, old age pension) and, as such, is an important measure of income, since it incorporates the notion of self-reliance. As illustrated in Figure 3.2, earned income per capita in Newfoundland and Labrador was only about 48 per cent of the national figure in 1950. By 2001, it had risen to just under 72 per cent. That is a marked improvement, but achieved only after 50 years. Yet, there is still a substantial disparity. A gap of 28 percentage points remains. If future progress were to be no better than in the past, it would take another half century to fully catch up.

Figure 3.2

Newfoundland and Labrador's Earned Income Per Capita as a Per Cent of Canada's Earned Income Per Capita

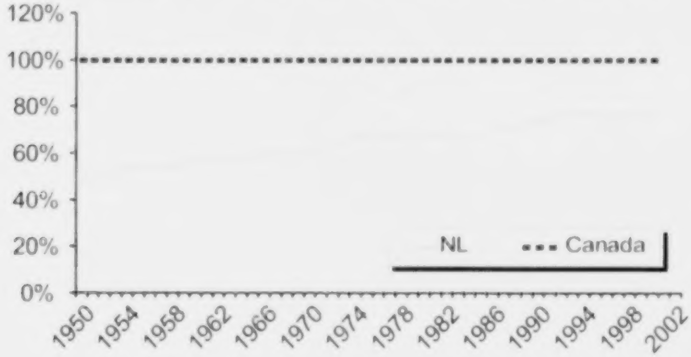


Source: Statistics Canada; Economics and Statistics Branch, Department of Finance.

A broader measure of income is personal income. It encompasses all sources of a person's income including transfer payments from government. Personal income per capita, expressed as a percentage of the national average for the years 1950 to 2001, is displayed in Figure 3.3. In 2001, average personal income per capita in Newfoundland and Labrador was 79 per cent of the national figure. That compares favourably with 48 per cent in 1950, but the progress has been slow and a large gap still exists, namely 21 percentage points.

Figure 3.3

Newfoundland and Labrador's Personal Income Per Capita as a Per Cent of Canada's Personal Income Per Capita



Source: Statistics Canada; Economics and Statistics Branch, Department of Finance.

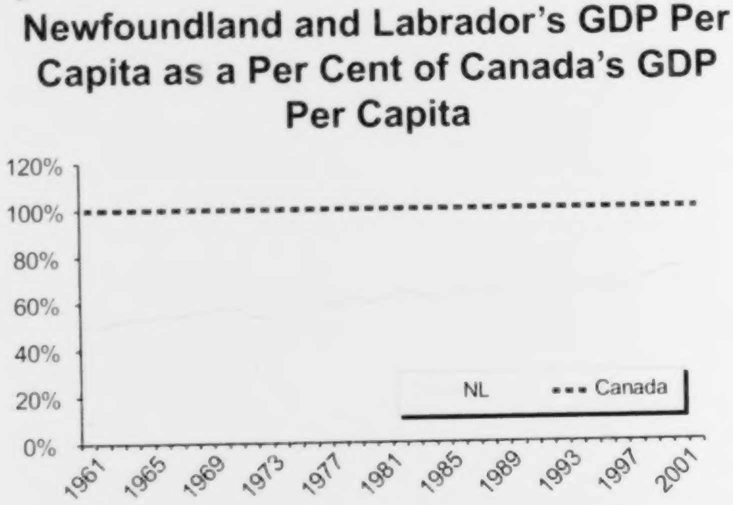
This personal income gap is not as large as the one for earned per capita income, reflecting the importance of social programs such as old age pensions, employment insurance and social assistance in the incomes of people in this province. In 1961, 16.8 per cent of personal income in Newfoundland and Labrador was due to government transfers to persons, while for Canadians generally it was only 8.5 per cent. By 1991, the provincial and national figures were at 24.4 per cent and 14.1 per cent, respectively. Ten years later, in 2001, the disproportionately greater dependence on transfers was little changed: 22.2 per cent of personal income in Newfoundland and Labrador was from government transfers while the national figure was much lower at 13.8 per cent.

This reliance on transfer payments underlies a difficult debate, namely, the extent of dependence on unemployment insurance (now called employment insurance or EI). That dependence has been largely seasonal and recurring year after year; it has become part of the annual income of large parts of the workforce. Our dependence on employment insurance, expressed in per capita terms, greatly exceeds that of workers in other provinces. In 2001, average employment insurance benefits per capita in the province was $1252 compared to $418 for Canada.

Our dependence on employment insurance is in decline, which reflects both positive and negative changes in our economy. The number of persons receiving employment insurance peaked in 1992, but by 2001 it had declined by 36 per cent in all industry sectors (except fish harvesters). The total of employment insurance benefits received in the province also peaked in 1992 at $1.06 billion, but had declined by 23 per cent by 2001. Several factors contributed to these declining employment insurance numbers. A downturn in the economy in the early 1990s, the effects of the groundfish moratorium after 1992 on fishery sector employment, out-migration and the tightening of eligibility rules after 1996 all meant that fewer people qualified for employment insurance benefits or for the same level of benefits. As a whole, these trends impacted women more seriously than men, in particular a number who worked part or full-time in the fish processing industry, many of whom had no alternative employment. More positively, in recent years employment insurance benefits have dropped as a result of increasing full-time employment, especially among younger workers. In summary, the overall trend of a declining dependence on employment insurance, while on the surface encouraging, hides the fact that so many still do not have enough work. Merely reducing access to employment benefits is not a solution to unemployment.

A broader measure of how well an economy is performing is gross domestic product (GDP), which is the value of all the income generated within the geographic boundaries of an economy. By that measure, this province also lags behind the rest of the country. Figure 3.4 shows that in 1961, the first year for which GDP data are available, our GDP per capita was only about 51 per cent of the national figure, leaving a gap of 49 percentage points. In 2002, 41 years later, our GDP per capita was almost 83 per cent of the national figure, still leaving a gap of about 17 percentage points.

Figure 3.4



Source: Statistics Canada; Economics and Statistics Branch, Department of Finance.

Figure 3.4 shows there has been a dramatic reduction in the gap since 2000. Indeed, much has been made in the media of the province's recent GDP growth. This province has led the country in growth in three of the past five years. In 2002, growth was at an unprecedented rate of 13.4 per cent. These GDP growth figures should not be overemphasized, as the growth rate obscures the fact that the level of our GDP per capita is well below the national figure. A significant portion of the growth in our GDP must cover the substantial capital costs of oil companies. In 2002, corporate profit (a component of GDP) in this province grew by more than 80 per cent and was the single most important cause of that year's unusually high growth in GDP. Overwhelmingly, that growth reflects the higher earnings of oil companies due to sharp increases in oil production and prices in 2002. Those companies are not owned by residents of this province so, other than for provincial corporate income tax revenues, the profits go to investors outside the province as a return on their investment. Under these unusual circumstances, GDP growth is not as good an economic indicator as it normally is. This can be further demonstrated by the disconnect between our GDP growth and the unemployment rate in 2002 – while GDP grew by 13.4 per cent in 2002, the provincial unemployment rate actually went up from 16.1 per cent to 16.9 per cent.[2]

While progress has been made and earned income, personal income and GDP are moving toward the Canadian average, the remaining gaps are still large. Some of the per capita improvements, especially since 1991, were due to out-migration; even if an income measure does not change, the per capita value will increase if the population goes down. Even more troubling is the stubborn persistence of unemployment. Our unemployment rate has yet to even show any discernable trend toward the national rate, despite out-migration.

Any path toward economic progress must entail a substantial reduction in both the unemployment rate and in the gap between the provincial and national rates. Progress must also be made in terms of income, especially earned income. And, importantly, achieving these objectives must be done through greater prosperity in the province, not by out-migration.

Apart from economic indicators, there is less precise measurement available about social progress since Confederation. Statistics on social factors have not been collected as rigorously until recent years, and the notion of what constitutes an effective indicator has also changed. The provincial government, through its Strategic Social Plan,[3] has, in recent years, been amassing comprehensive social audit indicators. Despite the lack of historical statistics, the social improvements since 1949 are obvious to any observer. These include social program benefits such as old age pensions, mother's allowances and unemployment insurance. As well, there have been major federal contributions to provincial infrastructure, such as the Trans-Canada Highway, Memorial University of Newfoundland, schools and hospitals. In later years, there has been universal medicare and the equalization program. Apart from programs, there has been measurable progress in terms of social outcomes such as life expectancy, infant mortality, family income and educational attainment. For such social indicators as home ownership, family stability and community safety, Newfoundland and Labrador continues, as it did at the time of Confederation, to exceed the Canadian average measures.

Development Challenges 1949 to Today

In his research paper for the Commission, sociologist Lawrence Felt categorizes post-Confederation development in three stages.[4] The first stage, from 1949 to 1970, was the Smallwood era, which was marked by strong economic growth and social improvements, but also by failed efforts at industrialization on a North American model, controversial efforts to centralize and resettle the rural population, and weak political development. The second stage, from 1970 to 1986, was a period of aggressive provincialism, with a renewed focus on natural resources, including oil and the promise of fisheries resurgence; yet it was also marked by an increased dependence in the rural economy on unemployment insurance. The third period, since 1987, has seen some degree of economic diversification and the steady growth of the oil sector, but also the collapse of the groundfish fishery and accelerated out-migration.

What these three stages underscore is a perennial preoccupation with certain significant development challenges: diversifying the rural economy, increasing productivity in resource industries, reducing unemployment, and sustaining and improving public services across a widely dispersed territory. In the first decade after Confederation, the province enjoyed steady economic growth due to continued American military spending and a construction boom for highways, hospitals and other public infrastructure. Nevertheless, the Smallwood government faced a huge task: develop and diversify the rural economy, reduce dependence on the fishery, and provide better services to the scattered population. Part of its strategy, in cooperation with the federal government, was to undertake three successive programs for community resettlement in the 1950s, late 1960s and early 1970s. The province also undertook several small scale efforts at industrialization (many of which failed) followed by an emphasis on large scale projects such as the iron ore development in Labrador, the Stephenville linerboard mill, the Churchill Falls hydroelectric project, and the Come-By-Chance oil refinery.[5]

Following the defeat of the Smallwood government after 23 years in office, Progressive Conservative governments under Premier Frank Moores (1972-79) and even more so under Premier Brian Peckford (1979-1989) placed their emphasis on rural revival and development and on natural resources. The key sectors targeted for growth were the fisheries and offshore petroleum – the former promising better economic prospects for rural coastal communities than there had been in decades, the latter promising to create an entirely new sector with significant potential for spinoff jobs and government revenues. The retrospective analysis of both attempts is sobering. Excess fishing effort, by ourselves and by others, doomed the fishery revival and led to the collapse of the cod and other fisheries. And the offshore oil, while significant, has come nowhere near to transforming this place into the mini-Alberta predicted in the early 1980s. Moreover, the fisheries' failure since 1992 has brought the province full circle to the out-migration from rural communities experienced in the 1950s and 1960s.

There have been much quieter developments in the past decade, which have resulted in progress. The economy is much more diversified than before; most resource sectors are now as productive as the rest of the economy and as productive as any industry in Canada (e.g., oil production, newsprint, mining, some parts of the fishery sector, and business and consumer services generally). As elsewhere, small and medium size businesses are increasing, and many Newfoundlanders and Labradorians now own and operate their own businesses and are responsible for the largest share of new employment. In particular, businesses producing cultural products and tourist services continue to grow in number and sophistication. As a whole, the St. John's and Avalon peninsula economy is more stable, more diverse and has a higher average income that at any point in its history.

As in all parts of Canada, and indeed the western world, our society has been dramatically transformed. Our employment is much less in primary or manufacturing sectors (mines, mills, fish plants), and more in tertiary sectors such as business and personal services (retail stores, restaurants, computers, consulting) and in public administration (schools, hospitals, government). Labour standards have improved significantly, and organized labour's role is strong. Cultural and recreational aspects of life are now major economic and social activities in their own right, and have become important ways in which Newfoundland and Labrador contributes to the wider Canadian life. Transportation and communications technology and infrastructure (roads, planes, phones, televison, the Internet) have ended the isolation of one community from another and transformed patterns of living and working.

Another major social trend is, of course, that Newfoundlanders and Labradorians have become more Canadian, while still retaining their identification with their province. After 1949, some bitterness remained amongst those who strongly opposed Confederation, but within a few years most, if not all, could see real advantages in Canadian citizenship. Nonetheless, several factors have contributed to a resurgence in the past twenty-five years of what has been called "neo-nationalism."[6] Our political identity as Newfoundlanders and Labradorians has never been subsumed by our Canadian identity, but coexists with it. Public opinion polling over several years has found respondents in this province thinking of themselves "first" as Newfoundlanders or Labradorians rather than as Canadians, although there is no evidence that the two are seen as incompatible.[7]

Our Relations Within Canada

In 1949, the province had to adjust to a new political system although, fortunately, it was to a federal system in which sovereignty and power is shared between two levels of government. Still, Newfoundland and Labrador was initially ill-equipped to compete in the political world of postwar Canada. Democracy had been stunted by the loss of responsible government in the 1930s. Gradually, the public has become more demanding and more critical of government, and the province has become more self-conscious as a political community.

From the perspective of political development, becoming part of the Canadian federation held both advantages and disadvantages for Newfoundland and Labrador.[8]

The advantages:

- we became part of a country with a growing influence in the international community and an increasing ability to promote our interests abroad.
- we received the evolving benefits of the Canadian social security system. Indeed, we were the only part of Canada to join the federation on the explicit promise of social security, which makes the cutbacks of the past decade all the more serious to this province.
- we received a significant form of continuing political autonomy as a Canadian province – which, as a form of decentralized power, provides much greater policy and financial autonomy than do most other federations.

The disadvantages:

- we had to adjust to a new political system with some familiar features, such as parliamentary democracy, but many unfamiliar ones, such as the federal constitution and its system of fiscal federalism. For most of our 54 years in the federation, people have been more comfortable with their provincial democracy, turning out at a higher rate for provincial elections than for federal ones.[9]
- we had to suffer the loss of much of our independent ability to plan resource management and industrial development. We lost control over trade and monetary policy, the fisheries and – after contestation – control over offshore petroleum resources.
- we have been cast into a grouping as an "Atlantic" province along with the "Maritime" provinces, with the resulting implied assumptions – not always true – that we have the same interests, and even identity with, the older grievances and conservative political culture of the Maritimes.
- we inherited a whole set of "family feuds", such as the French/English divide and a tendency to anti-Americanism, to which we had not been a part to any great extent.

This pattern of advantages and disadvantages has been played out in different ways over the years and through some rather dramatic turns in federal/provincial, and interprovincial relations. Premier Smallwood set the initial tone by making a close partisan linkage between his provincial Liberal party and the Liberal Party of Canada. This worked extremely well to ensure that the federal Liberal government was rewarded for listening to our concerns and for distributing the benefits of Confederation. This arrangement broke down, somewhat, when the federal Liberal party lost office to the Diefenbaker Conservatives in 1957. However, it is noteworthy that, unlike some other provinces, the political party system in Newfoundland and Labrador remains tightly integrated with its federal counterparts.

Even in the best of circumstances, the Smallwood government and its successors have found an extremely limited appetite in Ottawa for special arrangements to deal with the unique needs and interests of Newfoundland and Labrador. Instead, appropriate change to meet our needs have come mainly as a result of more general constitutional or policy trends. These have included the gradual development of national social programs, many through intergovernmental financing, and federal programs for regional development and equalization. Yet, in this evolution, the key political considerations for the federal government have not been over the specific circumstances of this province, but over those of more populous provinces, particularly Ontario and Québec. The chief example of a bilateral arrangement that did acknowledge our unique circumstances is the Canada-Newfoundland Offshore Petroleum Board, established by the 1985 Atlantic Accord. The most stark example of a lack of flexibility in federal arrangements has been with our fisheries, a resource that has been managed directly from Ottawa, without significant differentiation from the entire Atlantic fisheries and without meaningful input from the provincial government.

One way of compensating for the one-size-fits-all fixation of the Canadian federal system is for Newfoundland and Labrador to have effective representation, both within the central institutions of the federal government and in intergovernmental relations.[10] Over the years, the province has been represented by many capable leaders who have helped this place to "punch above its weight" in national political affairs. However, leadership has also been put to the test, such as in the tense relations over fisheries and the offshore in the Peckford years, and in the Wells administration's opposition to the Meech Lake Accord. Similarly, strong representation in the federal cabinet has been important.

Despite a record of effective intergovernmental relations in the past, there is a prevailing sense in the province today that the federation is failing us. Two specific events, in which the federal government played a leading role, have contributed to this malaise. The first of these was the cod moratorium announced in 1992, which has had a devastating effect on the province. While the federal government did deliver a major adjustment program, that program had many flaws. What is more, there is a widespread view that, through the lack of a long-term rebuilding program, Ottawa appears to have now written off the large segment of our economy and society that is based on the fisheries. The second was the federal budgetary cuts since 1995, which have had a significant negative impact in this province, further complicating provincial finances and undermining our ability to maintain national social standards.

More broadly, our provincial government shares with other provincial and territorial governments in Canada the sense that the federal government has lost interest in cooperative and collaborative relations. Our relations with Ottawa and with the other provinces have been influenced both by the general climate in intergovernmental relations in Canada as a whole, as well as by our own pursuit of intergovernmental goals. More collaborative intergovernmental policy has been possible when the federal government takes the lead and provides the political will to work together. Alternatively, competitive and combative relations arise when the federal government sets a centralizing or dismissive tone, or avoids cooperative approaches. As for the province's approach, it has been more effective when it develops its positions carefully, acts strategically to make common cause with other governments and communicates clear priorities to the federal government.

The Balance Sheet Issue

Throughout the Commission's consultations, there were calls for the tabulation of a balance sheet showing the relationship between the financial benefits Newfoundland and Labrador brings to Canada and the financial benefits Canada brings to this province. In responding to these requests, the Commission was uncertain about what should be included in such an exercise and what forms of analysis should be used.

Tabulation of the financial benefits the province receives from the federal government would have to include equalization and other intergovernmental transfer payments as well as payments to individuals, including old age pensions, employment insurance, wages and benefits for federal government employees, and payments to businesses for purchases and services. Financial benefits the federal government receives from the province would have to include corporate and personal income tax and other tax payments, employment insurance premiums, and interest payments on loans, fees and other sources of revenue. If these are the only benefits recognized, federal spending in Newfoundland and Labrador since 1949 has exceeded the amount of revenues the federal government has collected in this province by a wide margin. In the past decade, that gap has been very large, ranging between $2.5 billion and $3.5 billion a year. In 2000, federal spending was approximately $4.8 billion, against revenues of about $2.2 billion, a difference of some $2.6 billion.[11]

A balance sheet, however, must also address lost revenues because of barriers and policy failures (e.g., the failure of the national energy policy to allow the transmission of hydroelectricity across provincial boundaries), or economic benefits that the rest of Canada has already enjoyed as a result of this province joining the country. It must also address issues such as the financial returns that the federal government will receive in the decades ahead from offshore oil and gas development. As part of the Commission's efforts to address this balance sheet issue, an independent analysis was commissioned.[12] That analysis explored some of the crucial issues involved. One of its most important findings was a confirmation of the extent to which others benefit from the hydroelectricity generated by Churchill Falls. Focusing on the years 1991 to 2001, it was found that the estimated windfall gain from that resource averages about $850 million a year.[13] Effectively none of that windfall has been shared with this province. It is a benefit to Hydro-Québec, and therefore to its electricity consumers and its owner, the Québec government. Overall, the 65-year Churchill Falls arrangements will result in tens of billions of dollars in cumulative benefits to others in Canada. These benefits are not counted in the fiscal spending statistics that characterize our province as being highly dependent on the rest of Canada.

This study also identified some of the other ways by which the rest of Canada gains as a result of Newfoundland and Labrador's presence in the Canadian economic union. There are the benefits arising from trade in goods and services; the economic benefits generated by Newfoundlanders and Labradorians working elsewhere in the country; and the profits from our province's natural resources that enhance corporations that operate here, but are owned by Canadians outside this province.

Beyond those identified in this study, there are other ways by which the rest of Canada gains economically from Newfoundland and Labrador. Among the most prominent of these is the locational value of this province. Locational value encompasses a range of considerations including the value of air space, the potential resources of the continental shelf, the province's strategic location, and the value of security of oil supplies. It is difficult, perhaps even impossible, to express this locational value in terms of dollars, and the Commission has made no attempt to do so. Nevertheless, there can be no disputing the fact that Canada values the lands and offshore waters of Newfoundland and Labrador. As Gwynne Dyer writes:[14]

> Pro- and anti-confederates come up with different balance sheets on the union of Canada and Newfoundland at the time and continue to do so today, but it's clear that nobody in Ottawa in 1948 saw Newfoundland as either an economic bonanza or a crippling drain for Canada ... Ottawa's strongest motive for supporting the confederate cause in Newfoundland and offering reasonable terms to the prospective new province was a fear that a Newfoundland which regained its independence might pass into the control of the United States ... In a free vote in 1948, Newfoundlanders might well have chosen some kind of link with the United States leading to statehood – and Canadians both official and unofficial would have regarded that outcome as a disaster.

Indeed, as was noted in Chapter 2, in 1946 Canadian officials did undertake a balance-sheet forecast of a union of Newfoundland with Canada. Needless to say, having considered that forecast, Canada's decision was to proceed.

It is an extraordinarily complex task to construct a balance sheet showing all the sources and magnitudes of the financial gains to this province by Confederation, and the gains to the rest of the country. It is difficult to imagine, let alone measure, what would have occurred if Newfoundland and Labrador had not entered Confederation; or if the fisheries had been managed so as to maximize the economic benefits to the provincial economy; or if a power corridor through Québec had allowed the Churchill Falls arrangements to be negotiated on a level playing field. When provincial governments have engaged in balance sheet exercises, the results have been fruitless debates with the federal government over assumptions, use of data, methods of analyses and items to be included.[15] Battling over balance sheets is not constructive; it does not lead to progress. It should be avoided so as not to distract the provincial and federal governments from focusing on what really matters – ensuring that the federation works for its constituent parts. This entails working in partnership to address the economic and social challenges facing this province and its people.

The Commission's attempt to develop a balance sheet has highlighted issues addressed throughout this Report: (i) the current state of financial dependency in which this province finds itself; (ii) the frustration Newfoundlanders and Labradorians feel in being identified as "takers" in the federation, despite facing so many inequitable circumstances since 1949; (iii) the failure of the federal government and many Canadians to understand and appreciate this province and the contributions it has made to the country; and (iv) the significant challenges facing smaller provinces as they seek to find their respected place in the federation. The balance to be found is not so much in a balance sheet focused on dollars given and received; rather the balance is to be found in a new federal/provincial relationship focused on enabling this province to end its dependency and enabling this country to work for all Canadians.

Conclusions

Newfoundland and Labrador is a very different place today than when it joined Canada. The Commission draws the following conclusions from its examination of the province's broad experiences within Canada since 1949:

- While there can be no doubt that, as a people, Newfoundlanders and Labradorians are wealthier and enjoy a higher standard of living than they did before joining Canada, the relative position of the province within the Canadian federation has not changed.
- Unemployment remains the highest in Canada. Earned income and personal income were only 72 per cent and 79 per cent respectively of the national average in 2001, the biggest gap with national levels of any province. Recent strong economic growth due mainly to oil production has not overcome these basic disparities.
- As a society, Newfoundland and Labrador has advanced considerably, with a more diversified economy and more developed social services. Transportation and communications infrastructure has helped to end the isolation of our communities. In political terms, the province has adapted to the federal system of government and benefited from national values such as sharing and cooperation. In recent years, however the federal/provincial relationship has become strained and unproductive.
- A balance sheet that focuses only on dollars given and received is not only incomplete but, more importantly, diverts the attention of governments from building a new relationship directed towards enabling the province to end its dependency, and the country, as a whole, to work better for Canadians.

There is, therefore, a sense of disconnect, a feeling that within this country Newfoundland and Labrador must find ways to renew and strengthen its place. Our experience since 1949 confirms that the potential exists in Canada to allow renewal and strengthening to happen.

"Let's not fall into trap that some mis-guided souls may have by asking what have we done for Canada - the evidence is under our feet and in the Atlantic blue sky and on the broad ocean, and in the war graves of Europe and our proven generosity toward all, and in the skyscrapers of Ontario and Alberta and in the B.C. industries, and in the mainland universities and our music and stories... the time is past for a compulsory updated history course to be immediately introduced in grade 8."

Excerpt from the Public Consultations

"Without federal support, Canada's first major offshore oil project would not have begun. This is perhaps the clearest indication of the benefits of the federal-provincial relationship ... This federal-provincial energy development shows what progress can be made when the two levels of government work together, each bringing its own strengths."

Excerpt from the Public Consultations

Chapter 4

Population Loss, Out-Migration and Rural Newfoundland and Labrador

The 10 per cent decline in this province's population between 1991 - 2001 due to massive out-migration is a shocking indicator that something has gone seriously wrong in the economy of Newfoundland and Labrador. The Commission, in its public meetings, in the written submissions it received, in its meetings with government officials, in its roundtables, and in its dialogues heard clearly and consistently that the most significant social and economic challenge facing the province is out-migration and its impact, especially in rural Newfoundland and Labrador. This chapter explores the demographic change in the province overall, the impact of out-migration, especially in rural areas, the policies and programs that have attempted to address the challenge, and the need for further action.

Background

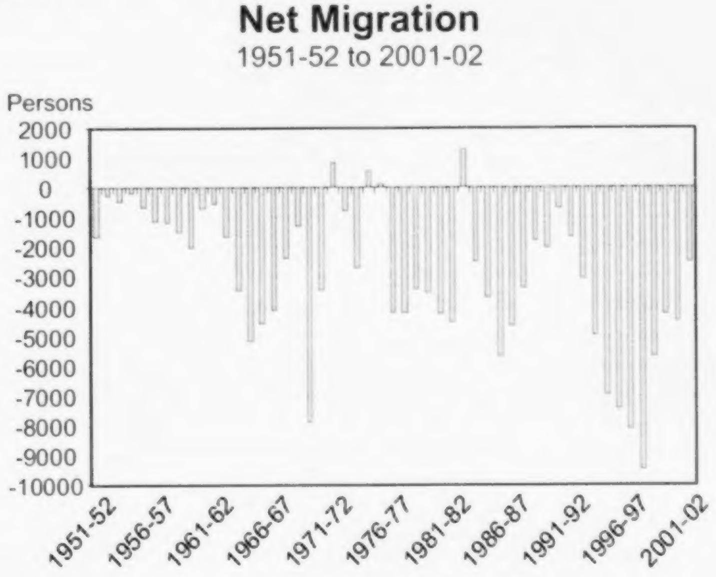
Long before joining Canada, Newfoundland and Labrador faced economic ups and downs. At times, it has prospered. During successful fisheries in the eighteenth and nineteenth centuries, as well as during the first decades of the twentieth century and throughout the 1940s, there were good times.[1] However, there were also difficult times, caused by market conditions, natural disasters or failures of fisheries. Hardship forced many people to leave, so out-migration is not a new phenomenon. It has been common throughout the province's history, with people emigrating mainly to the United States and Canada before 1949, and primarily to the rest of Canada since Confederation. However, from the early 1940s until the 1960s, thousands of women married American military personnel stationed at United States bases here and subsequently almost all moved to the United States.[2] Movement within Newfoundland and Labrador was also widespread. People moved to new frontiers throughout the Island as pressure on local fishing grounds increased, they went to the interior as mines and forestry industries developed, and they moved to work at American military bases. Initially, people went to Labrador for the coastal fisheries and later to the interior to build and maintain iron mines, military installations and hydroelectric sites. People have also moved seasonally: Aboriginal peoples traditionally moved seasonally; people went each year to participate in the summer fisheries in Labrador; seasonal workers went to work in the United States in construction and other trades; and, more recently, many other people from Newfoundland and Labrador participate in seasonal migration to other parts of Canada for work. People of this province are accustomed and willing to go where employment opportunities take them.

Confederation with Canada was seen as a way of creating more economic opportunities so that people would no longer have to leave. Since then, there has been minimal net in-migration to the province, mostly by Newfoundlanders and Labradorians returning home. But, as Figure 4.1 shows, since 1951, net out-migration has been the norm. A slightly higher percentage of those who have left are men – for the past thirty years, 51.9 per cent of the total have been males and 48.1 per cent, females. Since 1992, that percentage has increased to 53.9 per cent for males but decreased to 46.1 per cent for females.

Coming home teaches me that I own nothing
that there is nothing in the world
I have a claim to
though this one place has a claim to me -
turning south onto the Buchans highway
I follow the Exploits River further into bush,
through Buchans Jct. buried in waves of spruce
and past the cold length of Red Indian Lake which has
forgotten me completely since I left
here years ago…

Michael Crummey, *The Road Home*

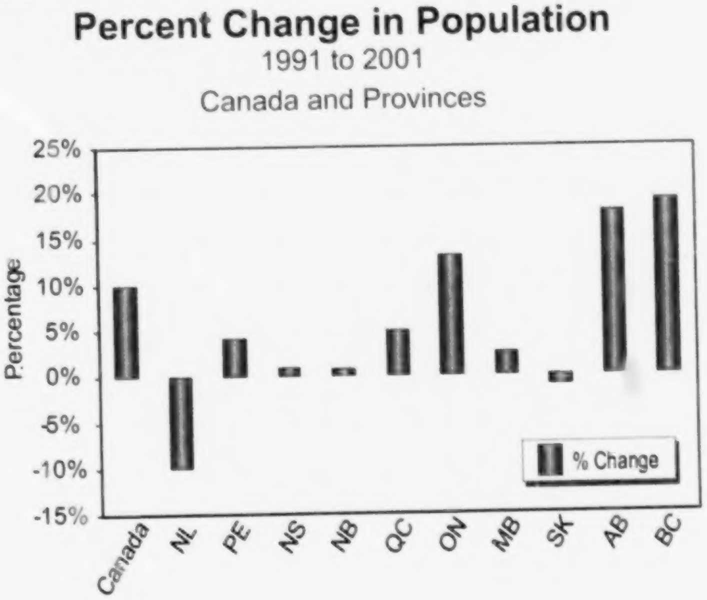
Figure 4.1



Source: Economics and Statistics Branch, Department of Finance.

Despite these losses, the population and most communities continued to grow until the last decade, when double-digit unemployment rates and declining birth rates contributed to a stagnation of the population. The collapse of the groundfish fisheries in the 1990s worsened the situation, turning ever greater numbers of Newfoundlanders and Labradorians into economic migrants. The population of this province in 2001 was more than 10 per cent lower than in 1991, an unparalleled loss for any country or province, except perhaps during wars. Certainly, it is an anomaly in Canada. Figure 4.2 shows that all other provinces have had growing populations over this time, except Saskatchewan, whose population declined slightly.[3]

Figure 4.2

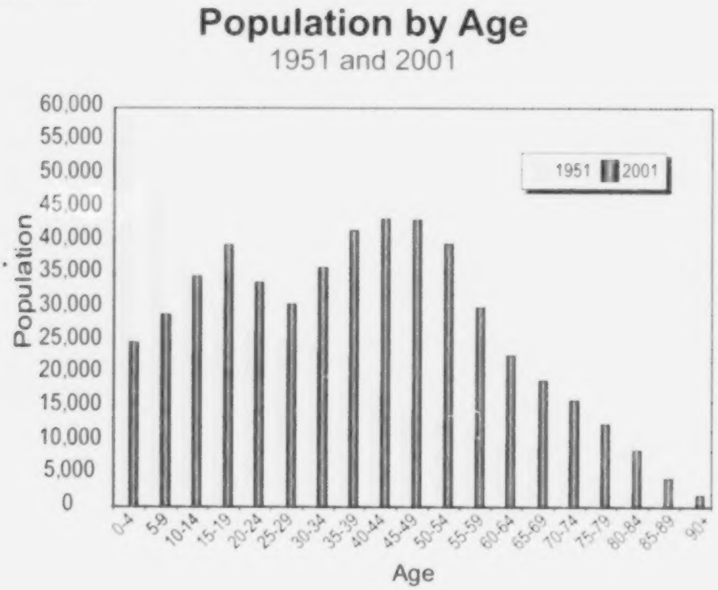


Source: Statistics Canada, Demography Division; Economics and Statistics Branch, Department of Finance.

It is important to emphasize that this 10 per cent population loss *understates* the out-migration. There was natural population growth over that ten-year period. Allowing for that, the data indicate that approximately 12 per cent of the 1993 population has left this province.

Compounding the problem has been the continuous and disproportionately large loss of youth. Migrants are typically young adults and families with young children. In the past, when birth rates were higher, natural population growth was sufficient to offset out-migration. More recently, with declining birth rates and the out-migration of so many young people, the age structure of our population has changed dramatically. Figure 4.3 compares age distributions in 1951 with 2001. The change is especially worrisome with respect to youth. There are fewer children aged 0-4 and 5-9 years in 2001 than in 1951; and, similarly, there are fewer 0-4 year-olds than 5-9 year-olds, fewer 5-9 year-olds than 10-14 year olds, and fewer 10-14 year-olds than 15-19 year olds. Consequently, the province of Newfoundland and Labrador is not only losing population, but the average age of the remaining population is rising.

Figure 4.3



Source: Economics and Statistics Branch, Department of Finance, Government of Newfoundland and Labrador.

More alarming are the projections that, under current circumstances, people will continue to leave Newfoundland and Labrador. While projections to 2016 released by the provincial government show a slowing in the trend, the province will still have population decline and out-migration continuing until at least 2010. At that time, the population is projected to be 504,112, compared to a high of 580,195 in 1993.

Impact of Out-migration

This population loss creates a serious social cost for the people of this province in both urban and rural areas. It is extremely difficult for people with close ties to their families and communities to leave, and it is equally difficult for those who remain to see their children leave. Distance makes it hard to maintain family and community relationships. With job losses in many parts of the province being so severe, and without sufficient growth in employment opportunities elsewhere in the provincial economy, people have been forced to choose between unemployment and out-migration. Many migrants are young adults, often with valuable technical skills and academic training.[3] The province needs youth to build a stronger and more prosperous economy. We cannot afford to see so many move to Alberta, Ontario, and so many other places to build prosperity elsewhere. To maintain our culture and identity, we cannot afford to have more people compelled to leave for economic reasons.

In addition to the negative aspects for those who stay, there are also significant implications for those who leave. In *Newfoundlanders: Home and Away*, Leslie Bella speaks about the vulnerability of migrants:

> Living in a community with many of one's own background can be good for the mental health of new migrants. Some of those we talked to described living for a while in enclaves of Newfoundlanders. Here they enjoyed visiting with people from home, celebrating traditional events and keeping alive the contacts with home. Those not actually living in Newfoundland enclaves use other

> opportunities to get together with other Newfoundlanders. The experience of being surrounded by Newfoundlanders, even those you did not know, was difficult to describe in words, but was clearly emotionally significant … Through this togetherness, Newfoundlanders may inoculate themselves from mental health difficulties associated with isolation and loss of culture.[5]

There is a differential effect on families that leave. National studies suggest that the impact on men and women who migrate is different: men experience significant earning increases after changing provinces, but the earnings of women tend to fall.[6] This might reflect the effects of the family decision to move in order to further the career of the husband; it might also be influenced by the higher male unemployment rate.

While out-migration, population decline and the aging of the population have affected all parts of the province, the impact on rural Newfoundland and Labrador has been particularly devastating. Rural areas such as the Northern Peninsula, the South Coast, and Notre Dame Bay have fared the worst.[7] The general tendency of many young people to leave, especially those with post-secondary education, combined with declining birth rates and the devastating effects of the collapse of the groundfish fisheries, with no recovery in sight, has depopulated many rural areas of almost their entire younger generations. Many rural municipalities, especially those that have lost both their economic bases and their youth, have suffered to the point that they can barely provide minimal levels of service or pay their debts. The loss of people from rural communities makes it more costly, on a per capita basis, for the provincial government to provide adequate health, educational and other services in those communities.

The people of Newfoundland and Labrador spoke strongly to this challenge in the Commission's public consultations. Youth in all areas of the province, including major urban centres such as St. John's, spoke of the lack of job opportunities and their need to fulfill their ambitions in life by moving to other parts of Canada or the world. Women spoke of the increasing burdens they carry as needs for social support increase, while the availability of social supports decreases. Men and women spoke openly of the second wave of out-migration, when they would follow their children and grandchildren to wherever they might be living. Young adults spoke of the strong personal desire to stay and the strong economic forces that were pushing them to leave. Newfoundlanders and Labradorians in Fort McMurray, Alberta, home to many expatriates, spoke strongly of the desire to return, but only if they could earn similar incomes. Young professionals in Toronto spoke of their plans to return, but only if they could make a difference here.

Policies, Programs and Population Shifts

Since Confederation, the federal and provincial governments have developed a myriad of approaches, policies and programs to reallocate population. Some initiatives have involved extensive (and expensive) cost-shared agreements between the provincial and the federal governments, while others have been developed and delivered by one government or the other.

The idea of implementing policy designed to shift population from one rural area to another with better facilities, or to urban centres, dates back to 1953. From 1954 to 1965, the provincial government's Centralization Program provided subsidies to households in smaller communities to relocate en masse to other communities. In all, 115 communities were abandoned under the Centralization Program, with 7,500 people relocated to other communities. In 1965, a more aggressive policy, the Resettlement Program, was put in place. It was a cost-shared program with the federal government. Unlike the Centralization Program, the Resettlement Program did not require the unanimous consent of all households in a community. In fact, there was implicit, and sometimes explicit, pressure from provincial authorities for communities to agree to be resettled. More than 200 communities were abandoned under Resettlement and approximately 6 per cent of the province's population relocated.[8] Since many people were forced to move, and because some of the relocations caused economic hardship or were to places not of the people's choosing, the Resettlement Program, which ended in 1975, is remembered with bitterness in this province.

Due to the backlash against resettlement and, more probably, because of the extension of the offshore fisheries jurisdiction to 200 miles, the provincial government reoriented provincial policy toward rural Newfoundland and Labrador in the late 1970s and 1980s. During this period, unemployment insurance benefits provided incentives for people to seek employment in the seasonal fishing industry through harvesting and processing. More fish plants were built or expanded and fishery development initiatives undertaken, often with substantial public subsidies. More people entered the fisheries and became dependent on a fishery that eventually could not continue to support them.

There are those who have suggested that Newfoundland and Labrador had too many people relative to its economic base – an implicit support for policies that encouraged people to move out of the province.[9] For example, the economist Parzival Copes suggested that resettlement from isolated fishing outports was just a first step in a process leading ultimately to out-migration.[10] The Economic Council of Canada, in its 1980 study of the provincial economy, saw no basis for such a policy, pointing to Iceland's success in achieving prosperity despite similar challenges. The study also cited Japan's economic success despite its lack of natural resources. Nor did the Economic Council of Canada see out-migration as a solution, focusing instead on a "from bays to peninsulas" strategy.

The Council observed that, with the completion of the Trans-Canada Highway and with the road connections of many smaller outports on peninsulas to urban centres along the highway, there would be scope to concentrate economic activities. Workers and consumers in connected outports could commute. In this way, the Council suggested, businesses could increase the rate of utilization of their capital equipment and increase productivity. Resource-based businesses would generally have to remain close to the resources, but most businesses would gain. Similarly, provision of social services could be more efficient if they were located in urban settings within commuting distance of outports. The Economic Council also encouraged fisheries policies oriented toward limiting entry and augmenting economic gains.[11] The provincial government of the time did not support the main thrust of these recommendations, but rejected what it saw as resettlement in disguise and the Council's overly economic approach to the fisheries. Instead, government supported rural renewal, based on strong support for the inshore fishery.

A Search for Solutions

In a further search for solutions of its [illegible] the provincial government in 1983 appointed the Royal Commission on Employment and Unemployment, chaired by Memorial University of Newfoundland sociologist Douglas House. The Commission report, released in 1986, stated that there was untapped potential in rural areas. It presented a range of recommendations aimed at realizing that potential through community development and local entrepreneurship. The Commission attempted to strike a balance between sectors and between urban and rural areas; it also suggested that reliance on unemployment insurance had become problematic, creating a syndrome of dependency. The Commission argued for a different type of federal income-support program, which would change incentives inherent in the unemployment insurance program. That proposed replacement program was never implemented.

In 1989, the newly elected Liberal government under Premier Clyde Wells appointed Dr. House to lead an Economic Recovery Commission (ERC).[12] That group released a strategic economic plan, *Change and Continuity: A Strategic Economic Plan for Newfoundland and Labrador*, in 1992. The provincial government disbanded that commission in 1996, but not before substantial changes had been introduced. The ERC initiated two chief instruments. First, Enterprise Newfoundland and Labrador took on the roles of a former provincial development corporation, both to consolidate under one agency all services to small business and to decentralize those services to better serve rural clients. Second, the Enterprise Network was created to provide basic support for rural development communications using the Internet.

Much of what was achieved by the ERC came about through the close cooperation and joint funding of the federal government, in particular the Atlantic Canada Opportunities Agency, through its St. John's regional operation.

In 1994, a joint federal/provincial Task Force on Community Economic Development was appointed to work on a model for community-based partnerships. This task force released the report *Community Matters: The New Regional Economic Development*. It concluded that local people themselves should play the lead role in their region's own economic development, with government playing a supportive role. The province was divided into 20 economic zones, with a regional economic development board for each zone. These zonal boards remain in place today. They are community-based volunteer boards consisting of representatives from municipalities, business, labour, community development groups, education and training institutions, as well as other interests. The task force report also led, significantly, to the federal/provincial Strategic Regional Diversification Agreement, which spent $36.8 million over five years to support the new zone structure.

In March 2001, the report *The Renewal Strategy for Jobs and Growth* was released by the provincial government. It was intended to provide guidance for continued economic growth, with an emphasis on (i) capturing strategic growth opportunities in traditional industries such as fisheries, in maturing industries such as tourism, and in emerging industries such as information technology; (ii) creating the right environment for economic development; (iii) investing in education, training and youth; (iv) adopting new partnerships for collaboration and cooperation; and (v) building stronger communities and stronger regions within the province. The extent to which the strategy is succeeding has yet to be determined. It has been suggested that the provincial government continues to place emphasis on two strategies to revive rural Newfoundland and Labrador. The first is that all departments of government consider rural renewal as part of their mandates. The second is the creation of a positive and stimulative business climate in which the private sector will generate considerable wealth and employment.[13]

In summary, the approaches taken to rural development and the rural sustainability issue have differed dramatically over the last 54 years. Initially, government policy stressed centralization and resettlement, because it saw a weakened inshore fishery and more promise in industrial development. That approach was abandoned by the 1970s in favour of rural renewal, based mainly on the fisheries revival. Yet government also drew upon efforts to diversify the rural economy, largely around small business.

The Commission, in its travels, saw impressive evidence of existing rural industries. There is a strong base of tourism business, including eco-tourism, the primary and secondary processing of seafood, the production of wine and other products from wild berries, the manufacturing of windows, cabinets and furniture, the manufacturing of industrial gloves and boots, the quarrying and polishing of dimension stone, the manufacturing of education software, the production of fibreglass boats, and the provision of aerospace services, among others. It can be argued, therefore, that the potential does exist for the creation of new businesses in rural areas.

The tremendous progress of these achievements is nonetheless overshadowed by two major realities. First, the mainstay of the rural economy has remained the fishing industry, which has been in serious decline for over a decade. Second, much of the rural economy has relied too much on employment insurance. Therefore, while many new jobs have been created in a myriad of new businesses and sectors in the past two decades, there simply have not been enough to counterbalance the loss of jobs in the fishery since the cod moratorium of 1992 and to prevent out-migration and economic decline.

The Challenge of Rural Sustainability

Whatever else, the challenge of rural sustainability is a national, indeed, an international, issue, and in that sense is not unique to Newfoundland and Labrador. Globalization, urbanization and out-migration are challenges shared by rural areas throughout Canada. The situation in Newfoundland and Labrador has its unique characteristics because it has been driven by the loss of the fishery in the last decade and by significant out-migration.

The Commission believes that debating rural challenges and realities, openly and truthfully, is a first step in dealing with rural sustainability. Government cannot stop people from getting older, cannot stop rural youth from seeking meaningful opportunities in urban environments, cannot prevent parents from following their children and grandchildren to urban areas, either in their own province or throughout the rest of Canada, and cannot raise expectations that modern services in all areas of rural Newfoundland and Labrador, regardless of their economic base or population decline, can be reasonably provided by a fiscally challenged treasury.

Not every community can have a manufacturing facility for industrial gloves or industrial boots, and there are only so many sawmills and ship yards that can be economically viable. Moreover, anyone interested in establishing a new industry or small manufacturing operation has built-in incentives to locate in areas such as the northeast Avalon, closer to the modern services provided by large health care centres, schools, airports, the university and the College of the North Atlantic, and major shopping malls. In other words, urban areas provide people with an opportunity to fulfil their urban expectations while living in rural settings. This is a strength which should not be ignored; indeed, it should be embraced, as the struggle over rural out-migration continues. The province is so much better when the people who leave rural Newfoundland and Labrador take advantage of opportunities on the northeast Avalon or Corner Brook or Gander or Grand Falls, rather than move outside the province.

Throughout the Commission's work, many people spoke of the benefit for this province of emulating the successes of our North Atlantic neighbors. While there are important lessons to be learned, it is clear that the configuration of a society such as Iceland or Ireland is a result of numerous factors deeply embedded in their past and culture. What works for one does not necessarily guarantee success in another.[14] Each is a product of a specialized history and culture reflecting the subtle interplay of internal and external processes. Iceland, for example, has experienced substantial internal migration to the larger urban areas without conscious policy direction. The result is a fishery that has a decidedly urban presence. This concentration has been largely driven by government policy supporting efficiency, high productivity and economies of scale, even if a result was greater urban growth and concentration.

Much potentially helpful research is underway on the rural society. The Commission in the course of its work has become aware of at least three substantial research projects underway in rural Newfoundland and Labrador. The project Coasts Under Stress is conducting an integrated analysis of the long- and short-term impacts of socio-environmental restructuring on the health of people, their communities and the environment. The Natural Resource Depletion and Health Project is studying how the health of people in coastal communities (Bonavista, Fogo, Arnold's Cove and Trepassey) has been affected by the fishery crisis since the end of The Atlantic Groundfish Strategy (TAGS). The New Rural Economy project is a five-year research and education project underway in 32 communities across Canada, including Winterton and Twillingate in this province. The research gathered will be analyzed and shared with rural people, policy analysts, researchers, the business community and government to assist in identifying and addressing important rural issues.[15] To support the longer term research needed and to ensure such dialogue is well informed, the Commission endorses the establishment of a Centre for Regional and Rural Development Studies at Memorial University of Newfoundland. The objective of this Centre would be the ongoing development and consolidation of the research and education base needed to analyze the complex matters related to the survival of rural Newfoundland and Labrador.

Newfoundland and Labrador is not alone in this struggle to address its rural issues. All rural areas across this country are asking the same questions and facing the same overwhelming lack of answers. At the moment, rural development appears to be low on Ottawa's priority list. The most recent attempt by the federal government to support rural development is the Canadian Rural Partnership program which encourages federal departments and agencies to scrutinize their programs and policies through what they call the rural lens. The challenge for this process is that national programs are not always sensitive to regional needs and circumstances, even though rural development needs differ significantly from province to province.

How the provincial government eventually deals with the challenges of rural sustainability and, indeed, how Canada eventually deals with them on a country-wide basis will speak clearly to what this country values and how it envisions its future.

Insights Into a Rural Strategy

Everywhere it travelled, the Commission was made aware of both the importance and the complexity of the issues related to the survival and sustainability of rural Newfoundland and Labrador. The loss of so many people from rural areas, the aging of the population remaining in many rural communities, the limited possibilities for economic development extensive enough to replace the jobs lost in the fishery, the realization of the new economy's focus on urban-based employment, and the move away from labour-intensive to technology-intensive industries, even those related to natural resources, are among the difficult factors to be considered in addressing the future of our rural society.

Rural sustainability emerged as an overpowering issue in all the Commission's deliberations, whether in rural or urban areas of the province, and in its hearings outside the province. While there is a stark realization that there are no obvious breakthrough solutions, there is also a very deep sense that the issue must be addressed. Although the Commission did not have the time to do the kind of in-depth exploration and consensus-building that would be required to appropriately address the matter, it did recognize that a failure at least to explore the rural situation would be a failure to consider a fundamental component of the renewal and strengthening of this province in Canada. Even though this Report has few answers, a number of insights can be identified:

1. Government has not articulated the ongoing consequences for rural residents as their communities shrink, the population ages and young people decide to leave. Neither the federal government nor the provincial government has articulated a rural strategy with clear goals and achievable outcomes.
2. All who met with or submitted reports to the Commission had difficulty in formulating the essence of the rural question and were more comfortable in addressing specific issues (e.g., out-migration, employment, education, community development) rather than the larger situation. Any efforts to openly address this question are complicated by memories of the 1960s resettlement program, by fears that even discussing the issue will signal the end of rural communities, or by mistrust that decisions will be imposed on people in rural areas.
3. The rural situation has very significant implications for public policies and expenditures. Yet there is a propensity for allowing the situation to unfold on the basis that the issues, somehow or other, will resolve themselves.
4. Any significant recovery in the groundfish fishery is more than a decade away, and it would be unrealistic to hold out such recovery as the ultimate solution to economic opportunities. Crab and shrimp fishing, sealing, forestry, small manufacturing, sawmilling, boat building, tourism and information technology, to name a few, all have great potential in allowing us to take the maximum possible advantage of rural settings and rural resources in order to sustain as much of rural Newfoundland and Labrador as is economically feasible. Even with that potential realized,

however, no one has the answers to where all of the jobs are going to come from to replace the number of jobs lost in the fishery.

5. In the knowledge-based and high-technology economy, most jobs are being created in urban areas. Urban job opportunities in close proximity to rural communities, therefore, must be seen as part of the solution. All new economic activity, no matter where created, is essential to a strong future in Newfoundland and Labrador. It would be a mistake if we did not celebrate all the economic activity that keeps people in the province and keeps the economy moving. It would be a further mistake if government attempted to determine where such economic activity should take place rather than to embrace economic opportunities wherever they occur. Commuting from rural communities to work in urban centres is one of the key opportunities for rural youth. It would be important, therefore, as the provincial government articulates a rural strategy that it view the province as a total economic entity.

6. In developing a rural strategy, the provincial government will need to go beyond a focus on jobs alone to explore more fundamental questions about the kinds of possible futures which need to be considered. These futures could include the pursuit of (i) an urban agenda, (ii) a regional agenda, or (iii) a rural agenda. Each of these options presents its own difficulties and comes with its own costs. The pursuit of an urban agenda would involve developing a diversified economy based on five or six centres with the best economic potential. New services and highway development would be linked to these centres. The pursuit of a regional agenda would involve developing in the order of twenty to twenty-five regional centres around the province to serve as hubs for smaller surrounding communities. The hubs would be chosen for their business potential and their ability to connect with nearby small communities. The pursuit of a rural agenda would involve the provincial government undertaking to deliver health, education and other government services in most rural areas, with government agencies wherever possible being moved outside of St. John's to rural areas.

7. No one likes to wade into problems that appear to have so few solutions. One of the options, therefore, is simply to let the situation unfold. But this entails the greatest danger of all – that, in ten or fifteen years, the people of Newfoundland and Labrador will lament that a realistic strategy aimed at sustaining as much of rural Newfoundland and Labrador as possible was not pursued in an open and honest manner for the benefit of future generations. As Canadians and as Newfoundlanders and Labradorians, we will then have ignored the threat to our rural culture and tradition, and we will have done so at our peril.

These insights do not resolve the struggle that Newfoundland and Labrador is facing today. They do provide a basis for a clearer focusing of the issue and for the beginning of a public dialogue involving citizens in a matter that is so critical to our future. Building on these first steps, the provincial government must develop a rural strategy for this province. While the provincial government must take the leadership, it is imperative that the Government of Canada be included in this endeavor.

Conclusions

The Commission believes that the time has come for the people of the province to become engaged in an informed, frank and honest public dialogue on the future of rural Newfoundland and Labrador and for the provincial government to use this dialogue as the first step in the development of a rural strategy. The provincial government must place priority on initiating informed public dialogue on future options, changing lifestyles and settlement patterns, and the public policy implications of meeting urban expectations in rural areas. There are many possible models of citizen engagement from which the government can choose as it initiates this dialogue. Its own processes related to the *Strategic Social Plan* and *Jobs and Growth* as well as the Commission's *Dialogues* are examples of models which have been effectively used in this province. Building from the public dialogue, the provincial government must then begin to formulate a strategy related to rural Newfoundland and Labrador.

It is clear from the Commission's deliberations that people are seeking a new way of thinking about this issue; that there is a realization that we must find a healthy balance of rural sustainability with strengthened urban growth centres; that the province and its people are evolving in a new way of relating between the "bays and towns"; and that the time for such dialogue is now. It is time to move the discussion from the kitchens, wharves and boardrooms to become an integral part of public discussion and policy-making in this province. Such dialogue will be healthy and will help forge a new vision and strategy for the future of rural Newfoundland and Labrador.

"As for our young people, the problem is that no one is articulating the dream."

Excerpt from the Public Consultations

"Our goal is to change the relationship with Ottawa so that it allows Newfoundland and Labrador to reap the benefits of our most talented and passionate young persons today- a change that will reverse the trend of out-migration."

Excerpt from the Public Consultations

"...the heart and soul of Newfoundland was created and nurtured in the coves and inlets of this island. I do not mean to romanticize the spirit of Newfoundland. My intention is to ask you to think about the importance and beauty of the rural character of Newfoundland."

Excerpt from the Public Consultations

"If St. John's and the modern service centres have become Newfoundland and Labrador's economic engine since Confederation, outport communities remain its soul. The various expressions of Newfoundland culture are rooted there and in aboriginal communities, and we must reconnect with that culture, rekindle that sense of place and reawaken that identity if we are to prosper in the future."

Excerpt from the Public Consultations

Chapter 5

Social Inclusion in Newfoundland and Labrador

Inclusion, collaboration, accommodation and transparency are principles underlying the envisioned partnership between the provincial government and the federal government, but they must also guide relationships within this province. Putting these principles into practice will ensure that all Newfoundlanders and Labradorians have a respected and equal place, both in the province and among other Canadians. Within this context and building on the assumption that economic development and social development are interdependent, this chapter explores the challenges to social inclusion and social cohesion in our province. Together with the assessment of the financial position outlined in Chapter 6, this reflection is necessary if the Commission is to understand the strengths and weaknesses of the province and its readiness to be a partner on the pathway to renewal.

There is increasing evidence to show that social cohesion and inclusion are critical in order for societies to prosper economically, for development to be sustainable, and for all citizens to enjoy a basic level of well-being. All of these elements are essential components of any plan to renew and strengthen our place in Canada.[1] In this context, social cohesion involves:

> ... building shared values and communities of interpretation, reducing disparities in wealth and income, and generally enabling people to have a sense that they are engaged in a common enterprise, facing shared challenges, and that they are members of the same community.[2]

Social inclusion repeats the theme of equality as it requires " ... the social commitment and investments necessary to ensure that socially and economically vulnerable people are within reach of our common aspirations, common life and its common wealth."[3]

The values underlying these concepts are reflected in the provincial government's *People, Partners and Prosperity: A Strategic Social Plan for Newfoundland and Labrador.* This document provides a framework incorporating a long-term approach addressing social and economic development on a community and regional basis. The Plan has a vision for " ... healthy, educated, distinctive, self-reliant and prosperous people living in vibrant, supportive communities within sustainable regions."[4]

As part of the Plan, the government has developed a social audit, designed to measure strengths and weaknesses for the purpose of making necessary interventions.[5] These measures examine a variety of social and economic indicators such as health, education, employment and income and, where possible, delineate the differences between men and women, age, regional differences and make comparisons with the rest of Canada. It is not the mandate or intention of the Commission to repeat the work of this Strategic Plan.

However, in meetings throughout the province, in written submissions and through the research program, the Commission was made aware of two realities that must be addressed if we are to strengthen social cohesion and endorse social inclusion in the province: (i) among specific groups (women, Aboriginal

Dear Natash,

We have a lot of work to do in our community
– our community is dying…Let us work
together – we will be able to help our children
and our grandchildren. We will be the ones
to show them something beautiful about our
lifestyle, our traditions – something beautiful that we
can leave for them when we are gone.

Elizabeth Penashue
Sheshatshiu, Labrador

peoples, other minority groups and Labradorians) there is a feeling of not having found "a place in our place," and (ii) Newfoundlanders and Labradorians sometimes perceive that they are misunderstood or stereotyped in ways that prevent their being fully respected Canadians within their own country.

Equality and Inclusion for Women

Women in the province made it clear to the Commission that their perspectives and experiences have not been taken sufficiently into account whether one looks at the fishery, the new economy, out-migration, volunteerism or decision-making processes.

A major review of the fishery found that one of its present shortcomings is the inadequate voice of women in the management of the fishery and in the fishing industry generally.[6] Little recognition was given to the historical role of women in the fishery either in the move to more formal professional credentials for harvesters, or in the adjustment program that was based on "historical attachment." Although more than 30 per cent of the people who lost their jobs after the moratorium were women, they fared poorly, both in the support and retraining programs that did not take into account the differences between women's and men's experiences in the collapse of the fishery.[7] The retraining served to further entrench women in sectors of the economy where low pay and few opportunities are standard. All the evidence suggests, then, that in building a vision for the fishery of the future, women must be given a prominent role.[8]

In the attempts to restructure the provincial economy, women remain disadvantaged. While more women now participate in the labour market, they are more likely to work part-time, and labour in lower-paid, female-dominated sectors.[9] The divide between women and men related to average earnings remains. In 1960, women in Canada earned an average of 54.2 per cent of men's earnings, while in Newfoundland and Labrador that number was 51.3 per cent. The numbers have improved slightly over the past forty years: women in Canada earn 63.6 per cent while the average in Newfoundland and Labrador is 62.7 per cent. The 1996 changes to the employment insurance regulations had a disproportionate impact on part-time workers, the majority of whom are women.[10] Accessing training opportunities has been especially difficult for women because training funds are tied to employment insurance eligibility, and many women in rural areas do not have that eligibility. As a result, too often they cannot afford to finance the career education available at colleges and universities. The Commission was told repeatedly about this inequity.

Negative stereotypes about women's skills and roles continue to create barriers for women in entering the labour market, accessing training, and in availing of small business start-up funds. In the tourism industry, women are clustered in low-paying, seasonal work. Few women have gained access to higher paying jobs in technology and resource-based industries (e.g., in the construction phase of the Hibernia platform, women represented 4 per cent of the workforce).[11] Even in this new economy, women face the absence of meaningful employment equity and family-friendly policies in the workplace. Removal of barriers to women's labour force participation and implementation of proactive workplace policies will allow women to bring the full benefit of their energy, knowledge and skills to our provincial economy.

The population decline in rural areas, out-migration and the aging of the population have had a disproportionate impact on women. Women are the primary caregivers of children and elderly relatives – work which is usually unpaid. Women are the ones left to fill the gaps as family support networks diminish and government services are withdrawn from small communities. Women make up a large proportion of the elderly population in small rural areas, and these elderly women are less likely to have economic security.

In many of our meetings, in one of our roundtables, and specifically in a study reported from the Bay St. George Women's Centre, women in rural areas reported that they are feeling a great deal of volunteer burnout. Many were already working as volunteers on several committees and felt they were being stretched to capacity; they feared the loss of yet more of their local committees. Some felt that government had "downloaded" more work on community networks and organizations than they could handle; this left people feeling tired and overburdened. This work often involves the provision of essential social programs, such as the staffing of women's centres which offer support for women who are victims of violence. The study reported that much of the emotional support and nurture roles had fallen on the women in the communities: "Women are feeling as if they can't do it all, volunteer, take care of family, sick relatives and work. Women of small communities are going through high amounts of stress. It is obvious that some are feeling burnout while others don't want to bother anymore."[12] Too often, these women felt that they were not only losing volunteers to out-migration, but that people had stopped caring.

While the economic impact of out-migration is devastating, the social challenges in sustaining family and community life as the population decreases, especially in rural areas, are becoming overwhelming. In our struggle to address these challenges, it is critical that we understand the differing impacts on women and men, and that we build on the differing insights of both genders in finding an effective response.

The continuing barriers to the inclusion of women in decision-making in the province mean that women's experiences are not being considered when policies are being developed, that women's knowledge and skills are absent in assessing complex issues relating to the social and economic survival of the people of the province, and that one-half of the population are too often excluded when steps are taken to shape a new vision for our future. Among such barriers are the lack of accessible and affordable daycare, discriminatory attitudes about the knowledge and skills women possess, and a failure to understand the different needs, roles, life experiences and economic and social circumstances facing women and men. The Status of Women report noted, "During the focus meetings many women described barriers to getting involved in leadership roles of the community. Women felt their traditional roles were not valued, they felt as if they were non-productive citizens. Because they felt undervalued, women could not see themselves accepted in any leadership roles."[13]

In the assessment of women in leadership, it is worth noting that, in all of the federal elections in this province since 1949, out of the 373 candidates only 30 have been women.[14] In the last federal election (2000), only three of the 32 candidates were women, two from the New Democratic Party and one Independent. Only two women have ever been elected to the House of Commons from this province.

Positive steps have been taken by the provincial government through the maintenance of the Women's Policy Office and the implementation of the policy on gender inclusive analysis for all policy and program development in government. However, if women are to see themselves as valued, respected and included citizens of the province, stronger policies must be implemented to facilitate the inclusion of women in decision-making, improve women's access to training and education, improve gender equality in the workplace, encourage women as entrepreneurs and support women as they face daunting odds in the face of overwhelming out-migration. These issues are not specific to our province. Therefore, the Commission supports those who are calling on the Government of Canada to revisit the 1970 *Report of the Royal Commission on the Status of Women* in order to pursue the improvements needed to ensure the full and equal participation of women in social, economic and political life in Canada.

Aboriginal Peoples, Identity and Governance

The Commission has been repeatedly told that Canada, Newfoundland and Labrador and Aboriginal communities all stand to gain if a renewed relationship of respect and dignity can be achieved. In its meetings with the Aboriginal men and women in the province, the Commission heard a consistent and familiar theme, stated in this way by Labrador Inuit President William Barbour in Nain: " ... the essence of building a common future together requires dignity and respect. If Canada cannot treat Québec, Newfoundland and its Aboriginal peoples with dignity and respect, Canada cannot hold together as a nation."[15]

This theme of respect and dignity heard all across the province is one the Commission shares with the Aboriginal community. These words are a signal of how renewed relationships should work, whether they are between the provincial and federal governments or between governments and Aboriginal peoples.

The Commission spoke to members of Aboriginal communities to get a sense of the issues facing them, to better understand the importance of the land to their spirit and sense of identity, and to learn from their experiences in dealing with governments on federal government recognition and relationship matters. If the Aboriginal community is indeed a microcosm of the province in that it is unique and confident in its culture, yet weak in its economy and image, and sees itself as struggling to gain the respect and dignity of governments, how does that speak to the province's efforts to plan a pathway to renewal?

The first lesson the Commission learned, as it began its community consultation process by visiting the Conne River Reserve, is the value in having a strong self-image. The community worked very hard at successfully convincing governments of their Aboriginal status. And while they would admit it is only the start of a challenging process, the other Aboriginal communities in this province look to them as an example of what is achievable.

There are other Mi'kmaq groups on the Island. The Federation of Newfoundland Indians emphasized to the Commission the need for access to federal programs and services. The Commission is aware that the federal government has received but not yet responded to their commissioned report from former cabinet minister, the Honourable Marc Lalonde, concerning whether and how the members of the Federation of Newfoundland Indians can gain access to federal programs and services. The Commission encourages the federal government to give this Report the immediate and urgent attention that is needed.

The Chiefs of the Sip'kop and Ktamukuk Bands made it abundantly clear to the Commission that their bands are far from satisfied with the state of discussions and progress with the federal and provincial governments, and have initiated legal action to confirm their status.

The Commission heard from many Aboriginal leaders and through its own and other research that Aboriginal people were omitted from the Terms of Union. The negotiations under the Terms of Union resulted in the federal government subsequently making an agreement that the new province would administer some of its programs; this resulted in the federal government effectively failing to carry out the constitutional and fiduciary responsibilities that it had accepted for Aboriginal people in other parts of Canada.[16]

Inuit leaders have told the Commission that formal recognition from governments is painfully slow. The Inuit in Labrador described the awakening of the spirit of self-image that captured so many other people, including Newfoundlanders, in the 1970s. There was a pan-Aboriginal reaction to federal government policies, and in that time period Inuit leaders began to take steps to address what they felt were threats to their identity. Although the changes since the 1970s have come with many sacrifices for individuals and communities, today the Inuit can proudly assert that progress is being made toward negotiating self-governance and concluding a comprehensive land claims agreement with the two levels of government.

The Innu Nation, having recently achieved status under the Indian Act, is trying to advance its land claim and is working with the two levels of government to establish reserves at Sheshatshiu and Natuashish. The new community of Natuashish presents an opportunity for the Mushuau Innu to deal with the tremendous social challenges they face and to build a healthier and more prosperous life. The Innu leader told the Commission that reserve creation and eventual resolution of the Innu land claim are vital components of the Innu Healing Strategy. While progress has been made, the federal government must continue to work with the Innu to help them through the healing process and build the capacity to run their own affairs.

The Labrador Métis (descendants of contact-period European men and Inuit women) do not have access to the full range of programs and services available to many other peoples of Aboriginal descent. They have submitted land claims documentation with the federal government, but, as of yet, have been unsuccessful in having it accepted for negotiation. The Labrador Métis Nation President told the Commission that these two factors make the membership feel they are being treated unfairly when compared to their neighbours, the members of the Labrador Inuit Association and Innu Nation. The federal government must bring clarity to questions surrounding the status of the Labrador Métis Nation and the acceptability of their land claims application.

Women in Aboriginal communities told the Commission that the voices and experiences of Aboriginal women are not being given adequate consideration as land claims and economic development are being addressed. They spoke about the negative social impact of events such as the forced settlement of the Innu in the 1950s and the forced resettlement of the Inuit from Hebron and Nutak during the same time period. They expressed concerns that current approaches are not addressing their desire to protect their connections to the land, their family structures, their values and their culture.

The Commission has realized from its meetings that the issues are complex, and no single solution or template works for everyone. As Maura Hanrahan states in her paper, confirming what the Commission has learned from its discussions with Aboriginal peoples and their representatives, "Government-Aboriginal relations in Canada are a patchwork quilt; there are many kinds of arrangements ..."[17] In recognizing this complexity, the Commission is of the view that the federal government must place greater emphasis on bringing clarity to the rights and entitlements of the Aboriginal peoples in this province, with priority being given to: (i) concluding land claims negotiations with the Inuit and Innu, and the creation of reserves at Natuashish and Sheshatshiu, (ii) finding a way to enable all Mi'kmaq and the Labrador Métis Nation to access federal Aboriginal programs and services, and (iii) making a final decision on the Labrador Métis' land claims application.

The Aboriginal peoples in this province have waited many decades for government action. Progress has been made, but it is slow in coming and is not at the same rate for all groups. The federal government must realize the sense of urgency which accompanies the concerns expressed and, with the support of the provincial government, must find ways to work more effectively with the Aboriginal leadership to ensure a strengthened future for all Aboriginal people in the province.

Other Minority Groups

Ensuring that people know that they are members of the same community and are engaged in a common enterprise is especially challenging for members of minority groups in a province which has not had a history of broad diversity of culture, religion and language. A commitment to enhancing social inclusion must include an approach which addresses this challenge.

Many of the province's Francophone population are descended from Newfoundland's earliest French settlers on the west coast of the province. More recent French-speaking immigrants have come to St. John's, western Labrador and Happy Valley-Goose Bay. Concerns have been raised about the loss of the French language, the assimilation of the culture and the disregard for the historical tradition. However, the rebirth of interest in the culture and heritage which began in the 1960s has resulted in more federal funding for the promotion of French identify and language, the availability of French media such as *Le Gaboteur*, the establishment of a separate Francophone school board, and a strengthened appreciation of our province's French heritage. Continued support for this development is an important step in achieving the goal of social inclusion.

The province has now become home to immigrants from all over the world, including countries not traditionally recognized as our places of origin. Our culture and economy have benefitted from the participation of people from Asian, Africa, Latin America, the Mediterranean and the former Eastern Bloc. It is important that the people of the province become more aware of the presence and contributions of these new citizens, that we find ways to celebrate their presence and that we work together to facilitate the integration of new Canadians into our society. The continued work of the Association for New Canadians and the opening of the English as a Second Language Adult Training Centre and Employment Resource Centre are positive steps in this direction. The continued partnership of the Association with the federal and provincial governments will be a critical element in ensuring that our province grows in appreciation of the strengths that flow from a multicultural and diverse society.

As we become more sensitive to the value of diversity and more open to its presence in Newfoundland and Labrador, we will also become a more welcoming and supportive society for those who have too often been marginalized or deemed "different". Differences in race, colour, ethnic origin, sexual orientation, physical ability, mental ability, religion and age must come to be seen as sources of strength in our province. This can only result in a province which gives our traditional values of community, generosity and hospitality a new expression in this twenty-first century.

Labrador and Newfoundland

Through its public consultation process, the Commission came to understand that an undercurrent of alienation continues to exist in Labrador.[18] Given the enormity of the challenges they must face together, Newfoundlanders and Labradorians cannot afford to be divided, but must turn greater attention to strengthening their relationship.

The first step is the building of a greater level of understanding in the rest of the province for Labrador's significant contributions and ongoing frustrations. Polling conducted for the Commission suggests that such an understanding does not presently exist.[19] While Labradorians and the provincial government must lead in this area, this Report offers an opportunity for the Commission to assist, albeit in a small way.

Labradorians sense that the provincial government continues to primarily view Labrador through the lens of what Labrador can do for Newfoundland or the provincial treasury. This frustration is not limited to matters concerning the fairness of local benefits from the development of Labrador resources. It is a feeling that the provincial government sees a future *because* of Labrador as opposed to one *in* Labrador. Labradorians appreciate that Labrador will play an increasingly important role in the economic and fiscal health of this province. They do not resent or resist this role. However, what they want to see is a greater commitment on the part of the provincial government to facilitate growth in Labrador for the benefit of the province as a whole. Timely completion of the Trans-Labrador Highway and the utilization of cheap Labrador hydroelectric power to facilitate new industrial development in Labrador are just two examples of the investments many Labradorians want to see the provincial government make in this province's future.

Labradorians also believe that they do not get the respect they deserve from the provincial government, and that their priorities are often ignored. This is particularly frustrating because of the significant contributions Labrador has made and will make to the province. The message "Labrador feels as ignored by the government in St. John's as Newfoundland and Labrador feels ignored by the government in Ottawa" was conveyed to the Commission by many Labradorians. Progress has been made to better include Labrador's voice and perspectives in decision making. There is a separate Department for Labrador and Aboriginal Affairs, which is headquartered in Happy Valley-Goose Bay. Labrador, with only 5 per cent of the population, presently has two representatives in the provincial cabinet. In the view of the Commission, the Department of Labrador and Aboriginal Affairs must continue to work toward ensuring meaningful and ongoing consultation between Labradorians and relevant federal and provincial departments and agencies on key issues of concern. For this to work, the commitment to greater consultation must be government-wide and not just with the Department of Labrador and Aboriginal Affairs.

One issue that is of ongoing concern is the future of military air training at Goose Bay. Low-level flight training drives the local economy and makes an enormous contribution to provincial and government revenues. The future of air training in Labrador, however, is clearly uncertain. The flights and presence of the allies who train at Goose Bay is in decline. There is an urgent need for the federal government to work with Labradorians and the provincial government to position, enhance and market Goose Bay's air training strengths. Failure to direct immediate and appropriate attention to the future of Goose Bay could be devastating. The Commission appreciates that efforts are already underway, but believes that efforts need to be significantly enhanced with strong leadership from the federal government. On this issue, and many others involving the use of the land, airspace and water in Labrador, governments must be mindful of the interests of Aboriginal peoples and of social and environmental matters.

The Commission believes that there is a growing respect for Labrador and Labradorians in the rest of the province, and that Labradorians sense a changing of attitude and approach toward their needs and aspirations. The frustration in Labrador centres mainly on the pace of that change. The challenge now, for the province as a whole, is to work to ensure that every citizen, whether they live in Labrador or on the Island, is treated with respect.

Newfoundlanders and Labradorians as Fully Respected Canadians

Throughout the Commission's work, there was a great affection expressed for Canada and a great pride about being Canadian. Newfoundlanders and Labradorians are fully cognizant of the enormous contribution that Canada has made to the well-being of their province since Confederation. Canadians have great affection for Newfoundland and Labrador. There exists a strong foundation of respect for the province and empathy for its place in Canada. Polling reveals a positive attitude toward Newfoundland and Labrador; Canadians feel that it is a vital part of the country and that the federal government does not give it the respect it deserves or the financial support to which it is entitled.[20]

While Canadians hold these positive images of our province and its people, it is clear that Canadians do not know Newfoundland and Labrador very well:

> Newfoundland's recognition factor in the rest of the world is quite low, and barely extends past the four topics of seals and codfish (both bad these days), oil (mostly good), and nature untamed (very good). This should not be regarded as an unmitigated failure – how high is the recognition factor for Manitoba or Maine? – but investment and tourism would both benefit greatly from an improvement in this area.[21]

Canadians are indeed familiar with outdated stereotypes and past realities. They are much less familiar with the contributions of the province to the Canadian federation.[22] When asked "What is the greatest contribution of Newfoundland and Labrador to Canada?", an alarming 34 per cent stated "Don't know." Not surprisingly, 26 per cent stated that the fishery was our greatest contribution to Canada.[23] The lack of familiarity that Canadians have with Newfoundland and Labrador is particularly striking on the economic front, where the province's recent growth and diversification have gone largely unnoticed. The province's economy is viewed largely as one dimensional (the fishery).[24]

During the Commission's work, many Newfoundlanders and Labradorians expressed concern about the misunderstanding of our province and its people. In the words of Ross Reid, "There is no doubt that if we as Canadians could see ourselves as others see us we would have a completely different attitude toward Canada and what it means to be Canadian; there is no doubt that if we as Canadians could see what it means to be a Newfoundlander and Labradorian we would have a completely different attitude."[25]

Of particular concern was the persistence of negative stereotypes. The Commission heard countless stories during its visits with young people in schools about the ignorance they faced as part of their cross-cultural experiences with other Canadians. Similar stories were heard from roundtable discussions such as the Expectations Roundtable where participants, who were young adults at the time of Confederation, spoke of enduring numerous acts of misunderstanding over their many years of meeting with other Canadians. Through the Commission's public hearings, submissions and other interactions with the public, it was one of the subjects which compelled people to speak passionately about our place in Canada. As one participant stated, "The ignorance is not only expressed in Newfie jokes, the repetition of which consolidates an already dismal view of our people, but in the surprise often expressed that someone from Newfoundland is so educated, articulate, and not wanting to party all the time."

It is true that Canadians are familiar with outdated stereotypes. But what is also clear is that those who *know* the province are least likely to believe that these stereotypes hold any truth. Those who know Newfoundland and Labrador will hold the most favourable view of the province.[26]

So, while residents of Newfoundland and Labrador feel pride in being part of Canada, it is tempered by the consistent feeling that there is a lack of respect on the part of the federal government and other Canadians for our people, and for the contributions we have made to Canada. The poll showed that 84 per cent agree that the province is often ignored by the federal government, 42 per cent feel we are not treated with respect and 47 per cent say we are treated with "a little respect."[27]

Most worrisome for many is that this lack of understanding and level of ignorance go beyond the Canadian public to become imbedded in the business community and the federal bureaucracy. People from educational institutions, businesses and public servants, both past and present, stated that the negative attitude toward Newfoundland and Labrador is ingrained and difficult to overcome. Worse, many feel there is an overwhelming sentiment, frequently expressed openly in the national media, and quietly echoed by the civil service and the national business community, that Newfoundland and Labrador is a hopeless case.

But there are mixed signals. The Commission also heard from Canadians, and from Newfoundlanders and Labradorians, including those who have moved away, that the province has a strong, positive reputation:

> Among English-Canadians, at least, Newfoundlanders have come to be seen as a slightly different breed of human beings who add interest and value to the Canadian mix. This has little to do with the tedious 'stage Newfoundlander' phenomenon; Newfie jokes not withstanding, there is a clear perception among urban Canadians in particular that both the place and its people are in some sense special ... If your most important possession is your reputation, then

> Newfoundlanders have not done badly over the past half-century or at least we have done well at distracting attention from what we have done badly.[78]

Further, it is suggested that we are misplacing our energies in addressing misinformed stereotyping: "Too much time ... is spent on these negative perspectives, and talking about them only reinforces the stereotypes ... accentuate the positive."[79]

We have strength in this place. We have a distinct culture that empowers us to communicate and build community. We will not dispel negative stereotypes with a massive public relations campaign. Rather, by ensuring we have a strong, confident society, based upon respect and equity for all, we can reshape and build an understanding with each other as Newfoundlanders and Labradorians and as Canadians. It is a renewed understanding and respect that will enable this province to truly pursue a new partnership with Canada. The Commission is confident that there is a foundation of respect and empathy with Canadians; the opportunity is to better educate ourselves and Canadians on the challenges and opportunities that face us.

Conclusions

The Commission has listened to the concerns expressed by women, Aboriginal peoples, members of other minority groups and Labradorians, and makes the following conclusions:

- Social and economic circumstances which have differing impact on men and women must be recognized and accommodated. Stronger policies must be implemented to facilitate the inclusion of women in decision-making, improve women's access to training and education, improve gender equality in the workplace, encourage women as entrepreneurs and support women as they face incredible odds in the face of overwhelming out-migration. The Commission supports those who are calling on the Government of Canada to revisit the 1970 *Report of the Royal Commission on the Status of Women*, in order to pursue the improvements needed to ensure the full and equal participation of women in social, economic and political life in Canada.
- Aboriginal peoples must get the respect that can only come from the knowledge of belonging, recognition and legitimacy. For too much of this province's time in Canada, the federal government has avoided its constitutional and fiduciary responsibilities to the Aboriginal peoples of Newfoundland and Labrador. The federal government must place greater emphasis on bringing clarity to the rights and entitlements of the Aboriginal peoples in this province; priority should be given to concluding land claims negotiations with the Inuit and Innu, creating reserves at Natuashish and Sheshatshiu, finding a way to enable all Mi'kmaq and the Labrador Métis Nation to access federal Aboriginal programs and services and making a final decision on the Labrador Métis' land claims application.
- Members of other cultures must have the assurance that the diversity they bring is recognized and appreciated as strengthening the social fabric of this province. Only tangible recognitions and the wholehearted celebration of historically disenfranchised people can signal that everyone in this province recognizes that the strengths of this place are no longer primarily the property of traditional power groups.
- The undercurrent of alienation which exists in Labrador cannot be ignored or dismissed by the provincial government and Newfoundlanders. While progress is being made to bridge this divide, the Commission is of the view that government departments and agencies, with the assistance of the Department of Labrador and Aboriginal Affairs, must demonstrate a strong commitment to meaningful consultations with Labradorians on key issues. The Commission further recommends that attention be directed toward access to Labrador energy for domestic and commercial use in Labrador, timely completion of the Trans Labrador Highway, and the future of the Goose

Bay air base. On these issues, and many others involving the use of the land, airspace and water in Labrador, governments must include the interests of Aboriginal peoples and social and environmental matters.

- An integrated approach to social and economic development and strategic cooperation and collaboration among business, labour, the voluntary sector and government is vital. These groups must be meaningfully included in the deliberations and decision-making process concerning the economic future of this province.
- We must ensure that other Canadians understand Newfoundland and Labrador, its challenges and opportunities, and the important contribution it makes to Canada. They need to hear and understand *our* story to know who we are. Therefore, we ourselves must know our own story. Celebrating our culture and working to educate and inform Canadians of this distinct place are vitally important if we are to dispel stereotypes. All expatriate Newfoundlanders and Labradorians are key ambassadors for broadening the base of people who hear our story and recognize the common humanity it reinforces. An improved image is a measure of the pathway to renewal's success more than a component of it. The province's image will improve as its place in Canada improves.

Newfoundland and Labrador society must embrace a common purpose leading to respect in its workplaces, communities and political institutions, so that all groups know that their experiences are valued and their voices heard. That same sense of common purpose and respect must be reflected in Newfoundland and Labrador's place in Canada if the people of this province are to truly feel that, finally, they have found their place.

"Just as Canada may appear to be treating Newfoundland unfairly, so too Newfoundland treats its aboriginal communities in ways that seem unjust."

Excerpt from the Public Consultations

"The Labrador house has often been divided into apartments, not rooms... each apartment has its own entrance way to get to the landlord who is never home. There are two landlords – one is in St. John's, one in Ottawa."

Excerpt from the Public Consultations

"Respect for the languages and cultures of aboriginal people is essential to their survival."

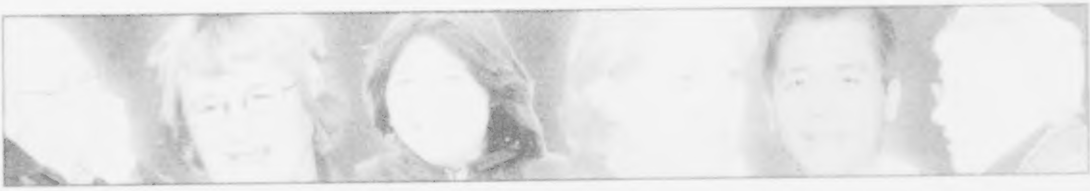
Excerpt from the Public Consultations

"Two parent families are now living the life of a single parent family as the men have gone away to work, therefore placing extra burdens on the women who are struggling with everyday issues with children, finding bits and pieces of employment. They are care-givers for the elderly with little family support in place to help them. As well, some families have both parents working away and the children are being cared for by other relatives. One can only imagine the effects this has on the family unit. Seniors are struggling on their own as many of their family members have migrated to other parts of the country."

Excerpt from the Public Consultations

"When I said I was coming to NL, more than one person said "what did you do wrong?". I wish they could experience what I have experienced ... the quality of life, emphasis on spirituality, the education system. We need to somehow raise our profile in the rest of Canada."

Excerpt from the Public Consultations



Chapter 6

Financial Position

The fiscal position of any province reflects its ability to provide reasonable services to its citizens within a reasonable tax regime while maintaining a reasonable credit standing. Long-term fiscal soundness, in a country like Canada, is a prerequisite to being able to maintain a relatively favourable competitive standing among provinces. The stronger the fiscal position of any province, the greater its ability to attract and retain people and business and in turn to generate economic activity through higher levels of public services and lower levels of personal and corporate taxation. In other words, one of the key measures of any province's prosperity and self-reliance and, therefore, of its position in Canada is its fiscal strength. In the case of Newfoundland and Labrador, its relatively weak fiscal position, characterized by high levels of both taxation and debt, speaks to the need to renew and strengthen its place in Canada.

Newfoundland and Labrador started out in Confederation with a balanced budget and a $40 million (1949 dollars) accumulated cash surplus. Unfortunately, it also started well below national levels in terms of infrastructure, health services, education services and social services. It has been struggling to catch up ever since. While much has been accomplished, this process of catching up, even with substantial federal fiscal transfers, has been very costly to the province. Furthermore, over the years, some of the strategies of various governments aimed at accelerating economic development proved to be both ineffective and financially burdensome. Overall, the fiscal history reflects persistent budgetary deficits, a virtually uninterrupted accumulation of debt and relatively high levels of taxation.

At various times throughout the past decade, public service cutbacks, wage freezes, layoffs and service reductions have been the order of the day in Newfoundland and Labrador, as elsewhere. Sustained fiscal balance, however, has not been achieved, despite these cutbacks. Much remains to be done and, as in most provinces, there is ongoing pressure to maintain and improve social services. But this province's fundamental financial constraints make it difficult to do so. In order to move forward in terms of achieving its economic and social objectives, the province must strengthen its financial position—a fiscal imperative and a major challenge.

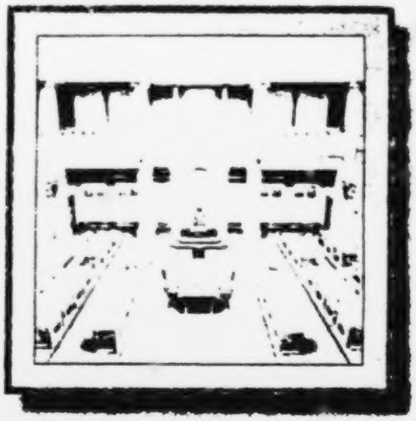
The challenge stems from four fiscal realities: (i) a high and continually mounting debt burden; (ii) relatively high taxes, with limited practical scope to raise significantly more revenue from existing sources; (iii) persistent budgetary deficits; and (iv) insufficient net gains from offshore oil revenues to put the fiscal house in order.[1] The challenge has also been exacerbated by the ongoing population decline.

The purpose of this chapter is to explain these fiscal realities. It is important that these issues be understood and imperative that the renewal strategy reflects them.

The Debt

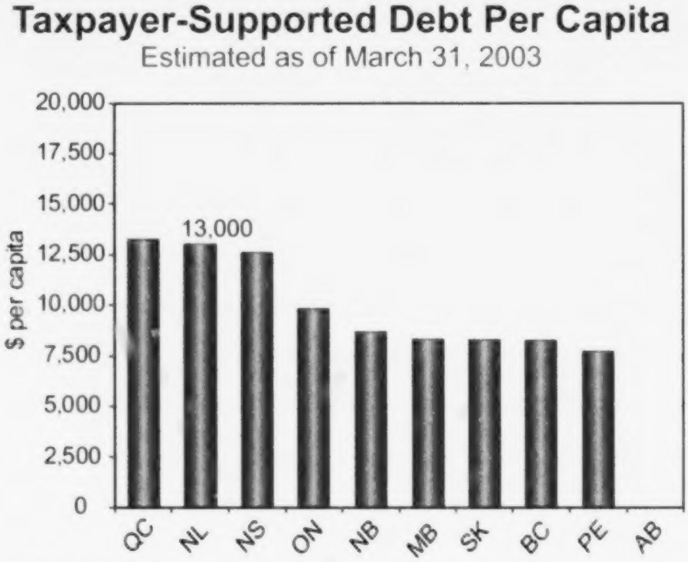
First, it is necessary to consider the debt situation. The provincial government has run budgetary deficits in almost every year since 1949. In addition, it has incurred debt obligations related to non-budgetary

> It is when we compare Newfoundland of today, after a dozen years of what for us has been phenomenal progress, with the rest of Canada that we are brought up by a short turn to the realization of the fact that we have a quarter century at best, and even a half century at worst, to go before we catch up with today's general average in Canada.
>
> Hon. Edward S. Spencer, Minister of Finance
> Newfoundland and Labrador
> Budget Speech, June 22, 1960



items, including substantial borrowings in recent years to fund public sector pension liabilities. The result is a continuing escalation in the provincial public sector debt. One measure of the debt is "taxpayer-supported debt," which is the debt of the provincial government and its agencies other than the debt of self-sustaining provincial Crown corporations, such as Newfoundland and Labrador Hydro.[2] As of March 31, 2003, that debt amounted to some $6.9 billion. Figure 6.1 shows that the provincial government's taxpayer-supported debt, expressed on a per capita basis, ranked with the highest in the country, slightly below but effectively tied with Québec's, at approximately $13,000 per person.

Figure 6.1



Source: Data extracted from The Canadian Federal and Provincial Governments – 2002 Overview prepared by the Dominion Bond Rating Service Limited, January 2003. Comparative data based on projections in the respective 2002 budgets.

Compounding Newfoundland and Labrador's overall debt obligations are the provincial government's unfunded pension liabilities. These liabilities represent the monies to be paid into pension plans for provincial government employees, teachers and provincial elected officials in order to fund the current pension benefit provisions. The most recent estimate of the unfunded pension liabilities of the provincial government totaled approximately $3.4 billion in 2002. In per capita terms, this was approximately

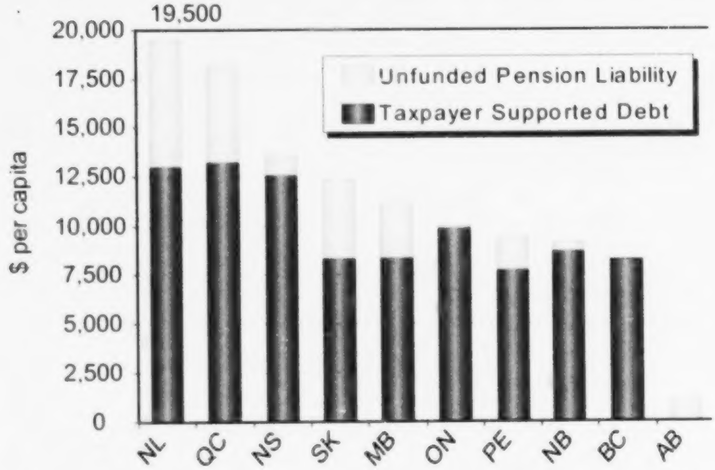
$6,500, the highest in all provinces. In other provinces, figures range from a high of $5,000 per capita in Québec to zero in British Columbia.

Adding these pension liabilities to taxpayer-supported debt gives a more complete picture of the provincial debt situation. In the case of Newfoundland and Labrador, that sum indicates a total debt in excess of $10 billion, which is approximately $19,500 per capita – an increase of 51 per cent since 1992-93 and the highest level of combined debt in all the provinces, as illustrated in Figure 6.2.[3]

Figure 6.2

Combined Provincial Debt Obligations Per Capita

Estimated as of March 31, 2003



Source: Data extracted from *The Canadian Federal and Provincial Governments – 2002 Overview* prepared by the Dominion Bond Rating Service Limited, January 2003. Comparative data based on projections in the respective 2002 budgets.

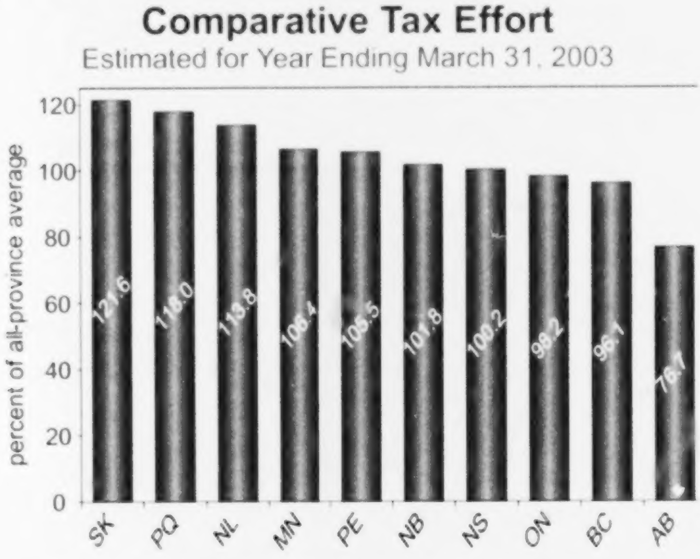
A key financial indicator which places the level of provincial debt in context with the size of the economy is the ratio of debt to GDP. Exclusive of the pension obligations, this province's taxpayer-supported debt-to-GDP ratio was estimated at 44.6 per cent as of March 31, 2003. By this measure, Nova Scotia had the highest ratio at 47 per cent, while Newfoundland and Labrador was next in line. However, in the overall context, when this province's substantial pension obligations are taken into account, our combined taxpayer-supported debt and unfunded pension liabilities amount to 66.7 per cent of GDP, the highest debt ratio of any province. Québec was second highest at 58.4 per cent, while Nova Scotia was next at 50.7 per cent. On a positive note, this province's ratio has come down in recent years, and the 2003 ratio represents a considerable improvement from the level of 82.8 per cent recorded in 1994-95.

The provincial credit rating has an impact on the provincial government's ability to borrow as well as on its interest costs. It is important to note that the province's credit rating has been upgraded in recent years. This reflects a number of factors, including improved debt ratios and key economic prospects. However, Newfoundland and Labrador still holds the lowest overall rating among the ten provinces.

Tax Levels

Next, it is necessary to consider another fiscal reality: the relatively high tax burden in the province. A large debt and a low credit rating mean that a larger than otherwise share of revenues must be devoted to paying interest on that debt. At the same time, there is growing pressure to spend more on important social services such as health. Raising significantly more revenue through taxes to meet these challenges is not a practical option. Provincial tax effort in Newfoundland and Labrador is the third highest among the provinces, as illustrated in Figure 6.3. The chart indicates that the provincial tax effort is 113.8 per cent, which essentially means that tax levels here are generally 13.8 per cent higher than the average across the provinces.

Figure 6.3



Source: Department of Finance, Government of Newfoundland and Labrador, based on data derived from federal equalization estimates, February 2003.

It is important to note as well that the province's fiscal capacity, i.e., how much revenue it can raise through taxation, is relatively weak. As of 2003, its fiscal capacity was about 68.5 per cent of the national average.[4] In turn, a weak fiscal capacity reflects a relatively weak economy. It is important to note that, while the province has recorded particularly strong economic growth in recent years, its economic base remains far below the Canadian norm, as explained in Chapter 3. Given the already high levels of taxation, there is a real risk that further tax increases in existing major tax sources would be counter productive – too harmful to the economy to be worth it.

Moreover, other provinces are moving to lower tax rates, especially on income. As the tax rates of other provincial governments' decline, it becomes more difficult for Newfoundland and Labrador just to maintain its relative position, much less improve upon the competitiveness of its tax rates relative to other provinces. In fact, in recent years, budgetary pressures in this province have necessitated the deferral of planned reductions in personal income tax.

Budgetary Deficits

A third fiscal reality is that the current fiscal path has produced persistent deficits and is leading to large deficits, on a "go-forward" basis. One-time revenues temporarily contained the province's budgetary deficits during the mid 1990s to recent years. In addition, the provincial government's past methods of budgetary reporting excluded large amounts of borrowing from the provincial deficit, thereby diminishing the reported shortfall.

In the March 2003 budget, the provincial government acted to improve its budgetary reporting by reflecting more of these borrowings directly in the budget. While under the previous method of reporting, the budget projects a $212.7 million deficit for 2003-04, the budget also reports the "consolidated cash deficit," which totals $286.6 million, including a deficit of $101.6 million on current account.[5] The consolidated cash deficit is a more comprehensive measure of the deficit since it includes provincial government borrowing to finance expenditures undertaken by certain government agencies. If we move away from this province's traditional method of budgeting to an "accrual" basis of budgetary reporting, which is used by the Government of Canada and the other provinces (in various modified forms), Newfoundland and Labrador's budgetary deficit for the fiscal year 2003-04 totals $666 million.

For several years prior to 2003, the budgetary deficits, regardless of how they were reported, were lower than they otherwise would have been due to one-time revenues. Those one-time revenues helped cover increases in program expenditures for a limited time period. Yet the program expenditure obligations are ongoing, and the one-time revenues have now been largely depleted.

Over the past decade, provincial government per capita spending has moved from about 7 per cent above the average of the provinces to 17 per cent above it. Per capita expenditure comparisons with other jurisdictions are skewed by the divergent population trends – the 10 per cent decline in this province and approximately 10 per cent growth in the national population in the last 10 years. Nevertheless, maintaining the current spending patterns in Newfoundland and Labrador, along with the existing revenue regime, points to an estimated go-forward deficit of $250 to $500 million when measured on a "consolidated cash" basis. This is not sustainable.

The provincial government is therefore in a difficult financial situation. Its high taxes act as a drawback on the economy; there are strong pressures on the expenditure side of its budget, and its high level of debt creates an ongoing funding burden. It needs to put its fiscal house in order.

Offshore Oil Revenues

The fourth fiscal reality is that it is imprudent to assume that, based on current fiscal arrangements, revenues from offshore oil developments will be sufficient to overcome the go-forward-deficit and permit action on debt containment and tax relief.

Without doubt, there are some favourable economic developments and prospects for some positive relief to the troubling fiscal picture in the coming years. Huge investments are taking place in resource development projects such as Voisey's Bay and the offshore, and there are many small-business success stories. Tourism is growing. The development of the Gull Island hydroelectric site on the Lower Churchill River is a possibility. Employment is growing, and some regions of the province, especially the northeast Avalon, have had much-improved circumstances. Lower interest rates encourage investment and marginally ease the province's debt-financing burden. Oil production is expected to rise, and another offshore oil field, White Rose, is projected to come on stream in 2005. It is widely expected that, as a result of increasing oil production, GDP will grow at high rates, but likely at very volatile rates, over the next few years.

Yet, the implications of these positive economic events fall well short of providing the solution to the province's major fiscal challenges. A large component of GDP growth (as discussed in Chapter 3), albeit for legitimate reasons, will go to nonresident owners of oil companies; in 2002 more than 20 per cent of GDP consisted of corporate profit before taxes; in 1997, before oil production was significant, only 6 per cent of GDP consisted of corporate profit before taxes. Increases in tax revenues due to other improvements in the economy will, in part, be offset by consequent reductions in equalization. Any development of Gull Island, due to the time required for environmental assessment and construction, would not yield any revenue until perhaps 10 or 12 years after an agreement is finalized.

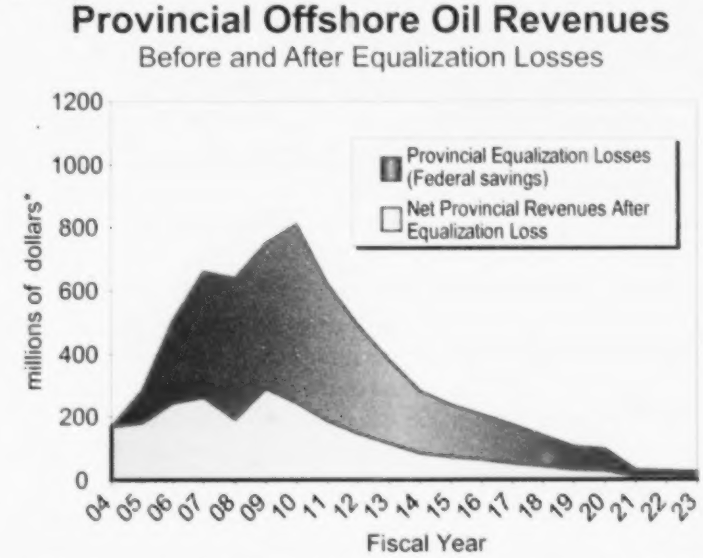
There is a widely held expectation, both inside and outside the province, that offshore oil developments, and the revenues that would go to the provincial government as a result, will bring financial prosperity to Newfoundland and Labrador. However, it is a totally unrealistic proposition to suggest that offshore oil will transform this province into an Atlantic Alberta. At present, there are only two producing offshore fields and just one other under development. Offshore oil is very costly to develop, which absorbs much of the revenue from commercial fields and makes it uneconomic to develop smaller fields on their own. (Smaller fields will eventually be developed as tie-ins to the infrastructure put in place for the larger projects.) In addition, after the early years of production, the provincial government's revenues from offshore oil will be mostly offset by corresponding declines in equalization payments. While the prospect of reduced dependency on the federal government is a positive development and an aim supported by this Commission, it does not do much to enhance the provincial government's financial flexibility and strengthen the overall net revenue position.

There will be some improvement in that position over the next few years. That is because oil production is expected to increase quite significantly and also because the provincial government has the option of invoking the "offset" provisions in the Atlantic Accord or the equalization program's "generic solution." Offset payments partially, and on a declining basis, compensate the provincial government for any year-over-year reductions in equalization. On the other hand, the generic solution reduces equalization losses arising from oil revenues to 70 cents on the dollar. Still, even these options do not assure the provincial government of either a substantial share of the total tax revenues generated by offshore oil or of sufficient revenues to address its fiscal challenges. The details of those two options will be discussed more in Chapters 9 and 11. For the purpose of the following discussion of the provincial government's financial position and outlook, it is assumed that these aspects of the Atlantic Accord and equalization remain in their current form.

Barring major new commercial discoveries and significant increases in world oil prices, under current sharing arrangements it is unrealistic to expect that net provincial oil revenues will be large enough to alter Newfoundland and Labrador's fiscal position to a material extent. Such a change would likely require (i) doubling the number of fields that are currently operating or under development; (ii) those new fields being brought into production before production in the existing fields begins to fall off significantly; and (iii) the long-term world oil price averaging US$30 a barrel, in order for this province to have a reasonable chance of shaking the status of fiscal dependency. That would be a great outcome for all parties, including the federal government, which would no longer be paying any equalization to the provincial government and would likely be receiving substantial corporate income tax revenue from the oil companies. The Commission might like to join with others in hoping for and dreaming of this outcome, but reality must be the guide. There are good prospects for further development of offshore fields over time. However, the Commission knows of no evidence that the long-term world price of oil is likely to average US$30 or more a barrel; and it knows of no evidence that there are three more large commercial fields in the offshore that would be developed before production in the existing fields begins to fall off substantially.

A profile of expected offshore revenues is illustrated in Figure 6.4. Those revenues consist of royalties and provincial corporate income tax revenues from the oil companies. This profile assumes the world price of oil to average US$28 a barrel in 2003 and, thereafter, an average of US$24 in constant dollars, i.e., adjusting upward for inflation. In addition, it is assumed that 25 per cent of the oil companies' corporate income tax will be attributed to and collected by this province.[6] This revenue analysis is not intended to be predictive as to the actual outcome, but to be indicative of the relative orders of magnitude based on mid-range assumptions for the key variables.

Figure 6.4



Provincial Offshore Oil Revenues

Before and After Equalization Losses

Source: Projections based on the existing projects (Hibernia, Terra Nova and White Rose). Data extracted from projections provided by the provincial Department of Finance.

***Note:** Constant dollars adjusted for inflation.

As shown in Figure 6.4, with these assumptions provincial oil revenues from the three commercial fields would be substantial; over $400 million for the years 2006 to 2012. The projections indicate that provincial royalties and tax revenues would peak at over $800 million in 2010, and then decline rapidly. In the peak year, the $800 million is split between equalization gains to the federal government in the order of $550 million and provincial net revenues of about $250 million.

Figure 6.4 indicates that, with these assumptions and the current sharing arrangements, the province could anticipate receiving net revenues in the range of $200 to $300 million a year from offshore oil for the next seven or eight years.

Most significant, perhaps, is the fact that net oil-related revenues in excess of $150 million are reflected in the 2003 budget. This means that, through the Atlantic Accord, the provincial government is already receiving an amount equivalent to a substantial portion of the net revenues it can expect to realize in the best years of production from the existing oil projects. While provincial revenues and royalties are projected to increase substantially in the coming years, the benefits of the Atlantic Accord diminish and the province's proportionate net share of the total provincial oil revenues will decline. The analysis indicates that the incremental "revenue upside" to the province from the levels budgeted in 2003 would be in the order of $100 to $150 million a year – in the good years. In short, the revenue upside represents an amount roughly equivalent to one half of the consolidated cash deficit in the 2003 budget, and the peak revenues are projected to be short-lived.

By 2012, the net annual revenues from the existing oil projects could fall below the level in this year's budget. While it is possible that additional projects could come on stream in the future, by the time they are developed, only 30 per cent of the associated revenues would accrue to the province – provided, of course, the generic solution is still in place. Such developments might contribute to a moderate improvement in the fiscal projections presented herein, but, on balance, the outlook for the overall financial position of the province remains difficult.

It is crucially important to underline the uncertainty associated with these or any multi-year projections of oil revenues. Long-term oil prices in the order of US$24 a barrel, in inflation-adjusted terms, are not at all assured. Many would argue that US$19-20 is more realistic. At US$19 a barrel, the picture of revenues given in Figure 6.4 would change dramatically and unfavourably. The provincial government's projected gross revenues would likely be approximately 40 per cent less. The provincial government's net revenue, after equalization losses, would fall accordingly, making it a rather modest amount indeed. Furthermore, currency fluctuations, the value of the Canadian dollar relative to the US dollar, will also impact on the revenue streams.

Overall, the financial analysis and budgetary outlook prepared for the Commission indicates that there is some moderate upside in net oil revenues in the coming years. In addition, favourable growth rates in other provincial revenue sources are expected, based on the ongoing high level of activity associated with various projects and developments. However, the analysis clearly concludes that, given the existing levels of government program spending and recent expenditure growth patterns, the provincial government's deficit predicament is not self-correcting. Furthermore, once the one-time revenues are depleted, the core deficit on a go-forward basis is likely to be in the order of $250 to $500 million – including a substantial shortfall on current account. (A deficit on current account is tantamount to a family borrowing money to buy groceries – a totally unacceptable situation for even the short-to-medium term.)

In summary, the provincial government's financial position is weak: there is a large deficit for 2003-04; and, barring major policy changes, a continuation of significant budgetary deficits can be expected. At the same time, there is a need to reduce the tax burden in the province; there is a need to address growing spending pressures; and there is a need to curtail the escalation in debt. Revenue from offshore oil will help, but, under current sharing arrangements, it is simply not realistic to expect that this revenue alone would be enough to substantially strengthen the provincial government's financial position.

Conclusions

The Commission has concluded that the provincial government should take immediate action to put the province's fiscal house in order as part of renewing and strengthening its place in Canada. The Commission, therefore, is recommending that:

- the provincial government commit to achieving and sustaining a balanced budget within a specified time frame (such as three to four years), with particular emphasis on the immediate elimination of the deficit on current account;
- the commitment to fiscal prudence be re-enforced by the introduction of balanced-budget legislation; and
- the provincial government conduct an in-depth assessment of its high unfunded pension liabilities and determine if modifications are required in its long-term strategy to address them.

The Commission acknowledges that the restoration of fiscal balance will be a difficult process. It will require serious decisions that could lead, in the short term, to a further deterioration in Newfoundland and Labrador's relative position in Canada.

There are two overriding conclusions that follow from this analysis. First, there is no basis to expect that oil revenues and revenues from general economic growth will be sufficient to overcome the challenges of dealing with the large accumulated debt and the significant unfunded pension liabilities. Secondly, even if, to be optimistic, oil revenues and economic growth were to succeed in overcoming the go-forward deficit, there is still a need to address debt and to ease tax burdens. Sustaining the status quo should not be considered sufficient. Strong fiscal discipline is needed to ensure that revenues from the province's depletable offshore oil resources are used efficiently to strengthen the economy and society.

"They say that "the Rock is on a roll". What does that mean to us in outports on the Island if we have no jobs?"

Excerpt from the Public Consultations

"There can be no peace in a country or a province or a community where there is no economic justice."

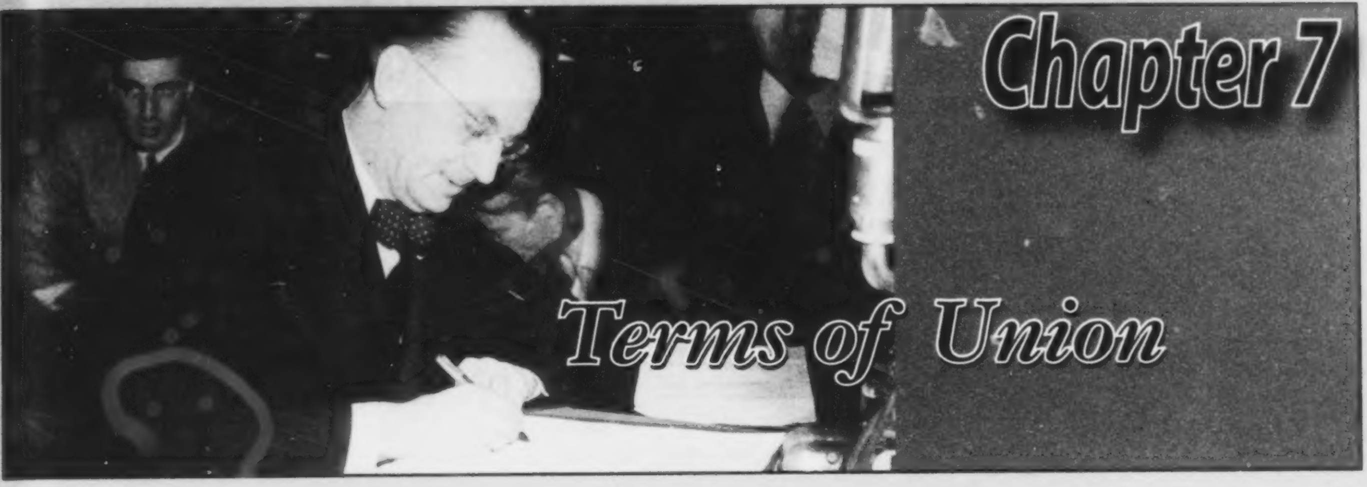
Excerpt from the Public Consultations

Section 4

Opportunities Within the Federation

©Diana May Dabinett
Icicles at Makkovik

2003, hand painted with procion dyes on silk



Chapter 7

Terms of Union

Newfoundland's entry into Canada was given effect by the British North America Act, 1949,[1] passed by the Parliament of the United Kingdom. The Terms of Union, which is a schedule to the Act, sets out the terms under which Newfoundland would join and operate as Canada's tenth province. The Terms of Union, then, are very important as they provide for Newfoundland and Labrador's constitutional place within the federation.

The Commission sought an independent assessment of the Terms of Union to gain a better appreciation of what they provide for and of their continuing relevance.[2] In line with the findings of this study, the Commission's main conclusion is that the primary purpose and effect of the Terms of Union was, and has been, to provide a constitutional place for Newfoundland and Labrador that was not materially different from that of the other provinces. This is not to suggest that all provinces have a strictly "equal" constitutional status within Canada, as some important distinctions do exist,[3] however, none of these differences are so fundamental as to approach a "special" constitutional status for any province.

The Commission is not suggesting that the Terms of Union, having accomplished their main purpose, are no longer relevant. The point is that there is little within the Terms of Union that can be called upon in support of a strategy to renew and strengthen our place in Canada. This message was reinforced to the Commission by many of the participants in the Expectations Roundtable, including a member of the Newfoundland delegation to the final negotiations of the Terms of Union.

Challenges of Constitutional Arrangements

While Newfoundland and Labrador was granted no special treatment under the Constitution, it must be acknowledged that these arrangements have presented special challenges for this province. In attempting to realize its economic potential, Newfoundland and Labrador has faced significant constitutional obstacles. These challenges relate both to the manner in which the federal government has exercised its jurisdiction in respect of Newfoundland and Labrador, and to judgements of the Supreme Court of Canada.

Federal Jurisdiction Over Fisheries

When Newfoundland joined Canada in 1949, the federal parliament assumed legislative jurisdiction over its fishery resources under section 91(12) of the Constitution Act, 1867. Term 22 fettered the discretion of the federal parliament in its exercise of these powers by providing for the maintenance of Newfoundland "Fisheries laws" for a period of five years. Under Canadian law, the fishery was unregulated in comparison to the regime already in place in Newfoundland and Labrador.[4] This five-year freeze, then, was provided simply to avoid a regulatory vacuum and resulting industry instability. Thereafter, the regulation of the Newfoundland and Labrador fishery became the responsibility of the federal government. The regulation

> "...the linking of the fortunes of two countries in a common destiny must always be an act of faith in the future."
>
> Prime Minister Mackenzie King
> December 11, 1948

> "As in many other agreements of this kind, much depends upon the desire of both parties to make the agreement work."
>
> Albert Walsh
> Head of the Newfoundland Delegation
> December 11, 1948

of fish processing remained with Newfoundland and Labrador, pursuant to provincial jurisdiction over property and civil rights within the province under section 92(13) of the Constitution Act, 1867.

For more than 400 hundred years, the groundfish fishery had sustained Newfoundland and Labrador. Under federal control, this great resource has been brought to the brink of extinction. As will be discussed in Chapter 10, Newfoundland and Labrador certainly made the proper regulation of this industry difficult by its own actions (e.g., the proliferation of processing licenses, and political pressure on the federal government to maintain and increase quotas). However, the fact remains that this environmental, social and economic tragedy occurred on the federal government's watch and as a result of its failure to manage the resource properly.

Offshore Oil and Gas

One of the greatest resources Newfoundland and Labrador brought into Confederation was its massive continental shelf. Starting with the first offshore exploratory well in 1966, the people of this province have lived in hopes that oil and gas could make a meaningful contribution to improving Newfoundland and Labrador's place in Canada. An opportunity that should have brought Newfoundland and Labrador and Canada together resulted in a bitter constitutional struggle for jurisdiction. Many years were wasted in negotiation and disagreement, leading to two separate court references on the subject of constitutional jurisdiction.[5] In 1984, the Supreme Court of Canada determined that Canada, not Newfoundland and Labrador, had constitutional jurisdiction over the shelf and its oil and gas resources.[6] Ironically, under the Constitution, Canada was provided with a resource that was only available to it at international law because of the coastline of Newfoundland and Labrador.

Following this decision, the federal and provincial governments agreed to a joint approach to the development of these resources through the Atlantic Accord.[7] The significance of the Accord extends beyond the approach it set for the management of offshore petroleum resources and revenue sharing. It provides us, as well, with a reminder that there have been occasions when the federal and provincial governments have been able to work together to further the purpose of making Confederation work better for both parties.

Churchill River

The ability of the province to control the development of its natural resources under the Constitution of Canada was set back by the Supreme Court of Canada's 1985 decision[8] regarding the Upper Churchill Water Rights Reversion Act. This Act, passed by the Newfoundland and Labrador legislature in 1980, provided for the expropriation of the water rights and assets of the developer of the Churchill Falls project, the Churchill Falls (Labrador) Corporation (CF(L)Co). The purpose of the Act was clearly stated in section 3 as being: "to provide for the reversion to the province of unencumbered ownership and control in relation to certain waters within the province."

On appeal from a decision of the Newfoundland Court of Appeal upholding the constitutional validity of the Act as a valid exercise of the province's powers in relation to property and civil rights in the province, the Supreme Court of Canada found the Act to be unconstitutional. The Supreme Court of Canada determined that the true or "colourable" purpose of the legislation was to "interfere with the power contract and thus to derogate from the rights of Hydro-Québec to receive an agreed amount of power at an agreed price."[99] The Court went on to find that the rights of Hydro-Québec under the Power Contract were in Québec, beyond the legislative competence of Newfoundland and Labrador. At the end of this winding road, the Supreme Court of Canada ruled the Act to be an unconstitutional attempt to impair a civil right outside the province. Newfoundlanders and Labradorians were forced to accept that, under the Constitution of Canada, their provincial legislature could grant but not rescind a water lease.

The Commission offers these examples to inform other Canadians of some of the challenges Newfoundland and Labrador has faced. These actions and decisions created a great deal of bitterness in our society but, as this Report reveals, our focus is beyond the battles and grievances of the past. Newfoundland and Labrador's experiences, however, make the refrain "all provinces must be treated equally" hard to accept.

Gulf Ferry

Term 32(1) of the Terms of Union has much continuing relevance to Newfoundland and Labrador. The courts have yet to consider Term 32(1) for the purpose of defining the precise nature and level of Gulf ferry service it requires. However, a consideration of the plain language of this term, together with the judicial interpretation of a similar term in the Prince Edward Island Terms of Union,[100] allows the Commission to frame the federal government's obligations with a degree of confidence. It is important to note that it is the federal government, not Marine Atlantic, that is responsible for ensuring that the constitutional obligations stated in Term 32(1) are fulfilled. Likewise, it is the federal government that is liable for any breach of those obligations. Term 32(1) says:

> ***Canada will maintain in accordance with the traffic offering*** a freight and passenger steamship service between North Sydney and Port aux Basques, which, on completion of a motor highway between Corner Brook and Port aux Basques, will include suitable provision for the carriage of motor vehicles. [Emphasis added].

Term 32(1) requires the federal government to "maintain" the Gulf ferry service at a level which is "in accordance with the traffic offering." In the view of the Commission, this clearly requires the federal government to ensure the continuous operation of the service, without interruption, at a level of service that addresses demand for its use. To meet this obligation, the federal government must invest in the service to ensure that it anticipates, and stands ready to accommodate growing traffic demands on an ongoing basis. If this level of service was to be diminished or interrupted for any reason (except as a result of forces beyond the control of the federal government, such as the weather), the province would have the option of initiating legal action to compel the federal government to meet its constitutional obligations, and would be entitled to seek damages arising from such a breach. The Commission is also of the view that Term 32(1) requires that the service meet a standard of quality and affordability.

Whether the service provided to date has been in keeping with the federal government's obligations under Term 32(1) is beyond the ability of the Commission to properly and fairly address, given its broad terms of reference. The provincial government has the resources to make such an assessment, and the Commission trusts that it would, if required, take legal action to compel the federal government to meet its obligations and to pay compensation for any breach of Term 32(1). The Commission is hopeful that a new relationship between the federal and provincial governments would avoid such a result.

A cooperative relationship between the federal and provincial governments would see the two working together to improve this service for the benefit of both Canada and Newfoundland and Labrador. During the Commission's public consultations, concerns were expressed regarding the quality and affordability of this service. For many Newfoundlanders and Labradorians, the Gulf ferry service is the clearest measure of the federal government's commitment to this province. A renewed focus by the federal government on improving this service would send a strong message that it is committed to strengthening and renewing Newfoundland and Labrador's place in Canada.

The impact a work stoppage would have on the Gulf ferry service is a concern that the federal and provincial governments need to address. The mere threat of a work stoppage is damaging to the provincial economy, the most obvious impacts being on the tourism industry and small businesses. The Commission appreciates that this is a sensitive issue and recognizes that it is not its place to suggest a particular approach to this issue. The Commission hopes, however, that an approach can be found that would avoid the need for legal action by the provincial government against the federal government in the event of an interruption or diminishment of the Gulf ferry service arising from a work stoppage.

In the view of the Commission, Term 32(1) requires a quality and affordable Gulf ferry service at a level continually able to meet demand for its use. The service, however, should not be viewed just as a constitutional commitment to be enforced and respected. It is an essential infrastructure component in strengthening the province's economy. The manner in which the service is provided and improved will be a reflection of the new relationship between the federal and provincial governments.

Amendments to Terms of Union

Canada's constitutional arrangements have not remained static since 1949. Changes have been accomplished, the most significant of which occurred through the 1982 package of constitutional amendments. With respect to the Terms of Union, there have been amendments since Confederation that have been key in effecting and reflecting fundamental changes within this province's society:

- Term 17, at the time of union, provided the province with legislative jurisdiction over education within the province, but it also guaranteed key denominational education rights existing at the time of Confederation and the public funding of denominational schools. Since 1949, Term 17 has been amended three times. The most recent amendment retained legislative jurisdiction for the province, but removed any protection for denominational education.[11]
- In 2001, the Terms of Union were amended to change the name of the province from "Newfoundland" to "Newfoundland and Labrador." This change reflects a growing and strengthening respect between residents of Labrador and Newfoundland. As noted in Chapter 5, much remains to be done to draw the two parts of the province closer together. This constitutional amendment was a small but significant step.

Newfoundland and Labrador's past success in amending the Terms of Union should be placed in context. First, it is important to note that these amendments required only the support of the federal parliament and the provincial legislature. There was no need to secure the support of other provinces. Second, these amendments did not change the division of powers between the federal parliament and provincial legislature. The interests or powers of the federal government were not directly impacted by these amendments, nor were the interests of other provinces.

During the Commission's public consultation phase, there were general calls for the renegotiation of the Terms of Union to get a better deal for Newfoundland and Labrador. With respect to the fishery, such an approach was recently endorsed by the House of Assembly. In May of this year, a resolution passed unanimously instructing the provincial government to seek amendments to the Terms of Union to provide for shared and equal constitutional authority between the federal parliament and provincial legislature over fisheries. The resolution also proposed the negotiation and constitutional entrenchment of a new joint management board to manage fishery resources.

The Commission appreciates that fundamental change to the management of Newfoundland and Labrador's fishery is required. However, the Commission does not see constitutional amendment as a realistic or necessary way to implement such changes. The amendments advocated by the House of Assembly would require the support of seven provinces, comprising 50 per cent of Canada's total population, and the federal parliament. The federal government has already indicated that it is not interested in pursuing constitutional change. Furthermore, it would appear that Newfoundland and Labrador is far from securing the requisite support from other provinces. In the opinion of the Commission, it is highly unlikely that Newfoundland and Labrador would be able to secure the required support for such amendments in the near future.

The Commission's statements should not be taken as a condemnation of the House of Assembly's resolution. More than anything, the resolution is a symptom of the frustration that has developed in this province with respect to the federal government's approach to the management of Newfoundland and Labrador's fishery. That it took a call for constitutional change to get the federal government's attention on the most important issue facing Newfoundland and Labrador speaks directly to the weakened state of intergovernmental relations in Canada today.

The Constitution of Canada is not an impediment to improving the management of the Newfoundland and Labrador fishery. However, fundamental change is required to the attitude and approach of the federal and provincial governments toward the management of this resource and toward one another. Our past demonstrates that fundamental reshaping of the relationship between the federal and provincial governments can be accomplished without amending the Constitution of Canada. An example to look to is the provincial and federal legislation that implemented the Atlantic Accord, an agreement that provides for a joint management regime in respect to offshore oil and gas. This was accomplished without any amendment to the Constitution of Canada. What was required was a commitment to work together.

The federal government has indicated in a clear and somewhat insensitive fashion what it is not prepared to do – engage in constitutional negotiations. That is simply not good enough. The onus is on the federal government to indicate what it is willing to discuss. The Commission strongly encourages the federal and provincial governments to enter into immediate discussions of the management approach outlined in Chapter 10 of this Report. The benefits of such an approach stretch further than just one industry or resource. They could serve as an early and strong foundation for a new cooperative relationship between the federal and provincial governments.

Aboriginal Peoples

The Terms of Union contain no mention of Aboriginal peoples. However, by virtue of Term 3 of the Terms of Union, the Aboriginal peoples of Newfoundland and Labrador were placed in the same position, constitutionally, as the other Aboriginal peoples of Canada. Term 3 provides for the application to Newfoundland and Labrador of other legislation comprising the Constitution of Canada, subject to a few exceptions:

> The British North America Acts, 1867 to 1946, shall apply to the Province of Newfoundland in the same way and to the like extent as they apply to the provinces heretofore comprised in Canada, as if the Province of Newfoundland had been one of the provinces originally united, except insofar as varied by

> these Terms and except such provisions as are in terms made or by reasonable intendment may be held to be specially applicable to or only to affect one or more and not all of the provinces originally united.

The legal effect of Term 3 was to confirm the federal parliament's legislative jurisdiction in respect of "Indians, and Lands reserved for the Indians" under section 91(24) of the Constitution Act, 1867. However, after speaking with many Aboriginal groups and reviewing relevant submissions and articles,[12] the Commission has come to understand that the absence of any specific mention of Aboriginal peoples in the Terms of Union was intentional.

While the Terms of Union passed jurisdiction in respect of Aboriginal peoples to the federal government, the question left unresolved was how the federal government would exercise that jurisdiction. The parties decided to remain silent on this issue in the Terms of Union in favour of future discussions between the federal and new provincial government. The place of the Aboriginal peoples, both in Newfoundland and Labrador and in Canada, was ultimately left up to the federal government to decide as a matter of policy. It appears that there were three reasons that supported the decision to put the matter off to another day:

1. That application of the Indian Act would be a retrograde step, given that the Aboriginal peoples in Newfoundland and Labrador enjoyed the right to vote, which would be lost with the application of the Indian Act.
2. The number of Aboriginal peoples in Newfoundland and Labrador was small, and the view at the time was that many had already been "absorbed" into the dominant white population.
3. The Indian Act assumed the existence of reserves which did not exist in Newfoundland and Labrador, making the delivery of services too difficult.[13]

The federal government has been painfully slow in recognizing its responsibilities to the Aboriginal peoples of this province. For many decades, it limited its role to providing funding to the provincial government to provide and expand public services to some, but not all, Aboriginal peoples. In effect, the federal government, for much of the province's time in Canada, has been content to abandon its responsibilities to the provincial government. The resistance of the federal government to treat the Aboriginal peoples of this province in a fair and equitable manner is of the utmost concern to this Commission.

In recent decades, a more productive relationship has been building through such initiatives as the registration of some of the Mi'kmaq population under the Indian Act and the negotiation of land claims with the Inuit and Innu in Labrador. As noted in Chapter 5, the Commission is nonetheless conscious of an unfinished agenda on Aboriginal issues.

Conclusions

Newfoundland and Labrador accepted a place within Canada that was not materially different than that of the other provinces. Subject to the federal government's continuing obligation to provide the Gulf ferry service in accordance with Term 32(1), the Commission sees little else within the Terms of Union that can be called upon in support of a strategy to renew and strengthen the province's place in Canada. With respect to Term 32(1), the federal government is required to provide a quality and affordable Gulf ferry service at a level continually able to meet demand for its use. However, the service should not be viewed just as a constitutional commitment to be enforced and respected. A renewed focus by the federal government on improving this service would send a strong message that it is committed to strengthening and renewing Newfoundland and Labrador's place in Canada.

While the Commission does appreciate that fundamental change to the relationship between the federal and provincial governments is required, particularly with respect to the management of the fishery, it does not see constitutional amendment as a necessary or realistic way to implement such changes. Fundamental change can be accomplished outside of the Constitution, as evidenced by the Atlantic Accord and its implementing legislation. The Commission, then, favors practical and cooperative approaches outside formal constitutional change as it believes such approaches have a more realistic chance of success.

"The Terms of Union, which form the legal basis of the fusion of these two states, make no reference to Francophone and Acadian communities in Newfoundland and Labrador. According to the collective memory of the francophones on the west coast- an impoverished people- they voted by a large majority to join Canada because of the enticing picture that was painted of the guarantee of an influx of federal funds."

Excerpt from the Public Consultations

"When the new volume of our history was opened in 1949 and we became citizens of youthful and virile Canada, the old way and time in which my generation had passed its youth was but a yesterday behind. It was still fresh in our memories. The new volume had opened but the old one had not been closed. The story was there for any who cared to read."

R.F. Sparkes, Preface to The Winds Softly Sigh

Chapter 8

The Evolving Nature of the Federation

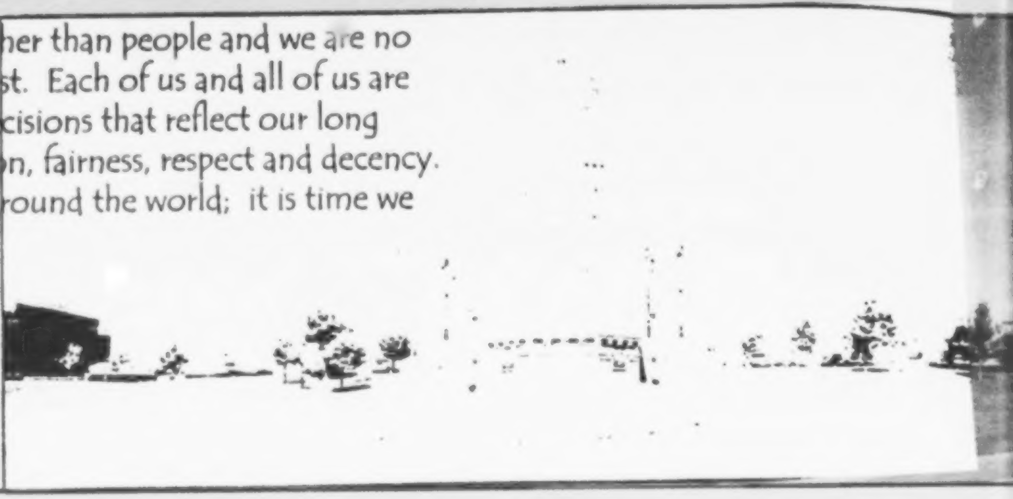
The Changing Canadian Federation

The Canadian federation has a very different system of government today than it did in 1949. The Canadian Constitution has been amended in significant ways, especially in 1982, to incorporate, among other changes, the Charter of Rights and Freedoms and Aboriginal rights. But fundamental change has occurred more slowly and less dramatically in the ways our federal institutions perform on a daily basis, in the ways that governments interact with one another, and in the ways that their fiscal arrangements adapt to changing economic and social circumstances. These changes have had both positive and negative consequences for Newfoundland and Labrador. On the one hand, Canadian values of sharing and commonly held views about rights, entitlements and obligations greatly enhance the benefits of the federation for this province. On the other, provinces seem to count for less in the national political culture than they did in 1949, and the federal government seems less concerned with treating provinces as equal constituent partners in the federation.

The first significant long-term trend that illustrates both the positive and negative aspects for Newfoundland and Labrador is the growing sense of Canadian nationalism, of a pan-Canadian identity and national standards. Canada today is a more integrated country than the one we joined in 1949. In the 1940s, Canadian citizenship brought with it such social entitlements as old-age pensions, family allowance and unemployment insurance. By 1970, the welfare state had expanded to include universal medical and hospital insurance, contributory pension plans, support for universities and a strong interprovincial convergence in the provision of social services and social assistance. No matter where they live, individual Canadians can expect a similar set of social entitlements and programs.

By itself this trend is unremarkable – all industrial democratic countries provided similar services in the postwar period. What was remarkable is that Canada achieved its social policy objectives while retaining substantial provincial autonomy – at least that has been the intent. The federal government helped build up welfare state programs through cost-sharing agreements with the provinces which, in the early years, placed explicit conditions on the provinces. These conditions gradually became much looser. Two other developments have helped to preserve provincial autonomy: the gradual decentralization of tax room from the federal government to the provinces, and fiscal equalization. In 1950, when Ottawa exercised strong central control over revenues, the federal government levied about 65 per cent of total revenues in Canada. By 1999, this had declined to 47 per cent.[1] Yet the capacity of each province to generate revenue from the same tax base differs widely because of regional economic disparities. This means that equalization is the lynchpin to the entire system. Without equalization payments, the poorest provinces would not have been able to participate in the original cost-shared agreements to build up programs such as medicare. Yet the unconditional nature of equalization – no strings attached – means that all provinces retain an important core of autonomy.

> A country is nothing other than people and we are no stronger than the weakest. Each of us and all of us are better when we make decisions that reflect our long held values of compassion, fairness, respect and decency. We bring this message around the world; it is time we brought it home.
>
> Ross Reid



Canada might have taken a different route to building the welfare state after the second world war, as did other federations such as the United States and Australia. The federal government could have delivered health, education and other social programs directly, which is what the Australians do. Or it could have imposed very specific conditions on the provinces for the delivery of programs in return for federal funding, which is what the Americans do. Canada did neither of these things, because we place greater value on provincial autonomy and decentralization. We have chosen in Canada to deliver the social security of the state mainly through the provinces, supported crucially by equalization and other transfer payments. The full consequences of these choices for our province are outlined in the chapter on fiscal federalism. Suffice to say here that the Canadian federal system puts an enormous strain on the limited public finances of the Newfoundland and Labrador government to perform its role in meeting the values and expectations of provincial residents *as Canadians*.

In his paper for the Commission on the development of the Canadian federal system, political scientist Roger Gibbins points out that the way Canada has chosen to develop its social programs has been especially beneficial to Newfoundland and Labrador, in that interregional sharing has become an important national political value. However, in national politics, it has not been the very limited influence of Newfoundland and Labrador that has caused these developments as much as it has been the relative regional disparity faced by Québec.[2] Had Québec's economic position been above the national average for the past 50 years, rather than being below it, our national policies in this respect would have been profoundly different. Of course, in keeping with its preferences for the way the federation should work to support provincial autonomy, Québec has also been very influential in sustaining a more decentralized approach to taxation and program delivery. The other provinces, to a lesser or greater degree, share these values about maintaining provincial autonomy.

Another major trend has been Québec nationalism and the federal response to it. Since the Quiet Revolution of the 1960s, Québec society has sought to redefine itself around Québec nationalism. Efforts to contain burgeoning Québec nationalism within the federation have absorbed the energies of a generation of political leadership in Canada. These efforts led directly to the successful patriation of the Canadian Constitution in 1982 and the strengthening of pan-Canadian language rights and other broad civil and political rights of individuals in the Charter of Rights and Freedoms. Yet they also led to the two Québec referendums on sovereignty and ultimately to the federal Clarity Act which sets out rules for how a province might secede from the federation.

These two developments, Québec nationalism and the Charter, combined with the growing emphasis on Aboriginal rights, have all paradoxically had the effect of strengthening the first of the trends noted above, i.e., pan-Canadian citizenship and a sense of Canadian nationalism.[3] In 1949, Newfoundland and Labrador joined a Canada whose politics was resolutely territorial and where the key definition of territory was the province. By 2003, Canada's politics are much more "non-territorial" and much less based on the provinces as key units. In other words, Canadians now derive their political identity less and less from their province of residence (in the case of Québec this is because they do not want to be "just" a province) and increasingly from "non-territorial" aspects, such as their linguistic, ethnic, gender or Aboriginal identities – or simply from their identity as Canadians. This has led to a tendency to view provincial governments as just another set of stakeholders rather than as constituent members of the federation. National politics, in particular the federal government, appears to be much less sensitive than it once was to regional differences and interests. Canada is generally recognized among federations to be more decentralized than most.[4] However, from the perspective of this province and many others, the central government of the federation seems clearly to be less responsive to its constituent units than other federations are.

These long-term changes in the Canadian federal system leave Newfoundland and Labrador in an ambivalent position. As a province with significant regional economic disparity, we depend on the pan-Canadian value of sharing to ensure that we benefit from Canadian citizenship. Yet our identity as Newfoundlanders and Labradorians remains very strong. As national politics and the preoccupations of the federal government shift from a province-centered to a non-territorial focus, we are concerned that the interests, needs and even identity of our place may suffer.

The population of Newfoundland and Labrador makes up less than 2 per cent of the Canadian total, a proportion that is declining every year as the overall Canadian population increases and ours declines. But as a province, we are one of ten. To be fully Canadian for us means to have Canadian federal institutions and values that reflect and reinforce the provincial composition of Canada. There are a number of elements to this. First, there need to be intergovernmental mechanisms providing us with an equal place at the table. Second, there needs to be an elected Senate with equal representation from every province. Third, the country should respect the concept of provincehood. Newfoundland and Labrador gave up its status as a dominion to be a Canadian province, not some shadow of a province. With just half a million people we are small in Canadian terms, but we are still our own political community in a way that places with similar populations, such as Mississauga, are not. If Canada loses its ability to treat its constituent political communities equally, then the country will have lost the very essence of its federalism.

The Federation is Not Working Well

Canadians should understand the reality of how power and influence are exercised, and how federal policy is made – from the perspective of this province – and compare it with their own experiences. Three aspects of that reality need to be spelled out. First, the political representation in the federal legislature and executive suffers from fundamental flaws. The province's perspectives are submerged and marginalized in existing federal institutions. These institutions need changing. Second, federal administrative presence and policy, when it comes to Newfoundland and Labrador, are inadequate and a major source of alienation and frustration. Third, the intergovernmental relationship is vital to making the federation work, but it, too, has been neglected and is often acrimonious. We need a more collaborative spirit and more effective mechanisms to achieve our goals jointly.

Representation in the Federal Parliament

The reality of the province's political representation is that there are seven members of Parliament in the House of Commons out of a national total of 308. Constitutional and legislative guarantees exist to preserve that number as the province's minimum representation. Ontario, by contrast, has 102 seats. Newfoundland and Labrador's much smaller number of seats means that, if there is an issue that affects only or mainly this province such as foreign overfishing on the nose and tail of the Grand Banks, compared with an issue that affects only or mainly Ontario, such as the flow of traffic on the international bridge at Windsor, the political reality is that the Windsor bridge gets the main attention while overfishing is ignored or seen as only a regional issue.[5]

Since 1949, our members of Parliament have all belonged to Canada-wide federal parties: Liberal, Progressive Conservative and New Democratic. We have not had a regional party, and our seven seats would unlikely have given us much influence as a regional bloc in any case. What this means, however, is that, due to the exercise of party discipline, voters in Newfoundland and Labrador do not always get to hear their members representing their interests, as this is usually done behind the closed doors of party caucus. Initiatives to reduce party discipline on more votes, to provide more leeway for private members' motions, or to provide committees with more scope and authority could increase the capacity of elected members to better represent their provincial constituencies.

Another key form of political representation is the Cabinet. Political convention since 1949 is that Newfoundland and Labrador has at least one seat around the Cabinet table. When a strong political figure holds that post, the regional minister can make up for a lack of numbers elsewhere.[6] Unfortunately, whether the federal cabinet minister is considered strong or not depends on political and electoral fortunes rather than on there being an automatic or systematic feature.

The problem of small province representation in federal institutions in Canada is compounded greatly by the lack of an elected upper house in the federal parliament. In virtually all other federations, the upper house acts to directly represent the people of the constituent units of the federation (states, provinces, cantons, etc.) or their governments. In Canada, our Senate is appointed, not elected, and by the federal Prime Minister, not by the provinces. Thus, while on paper the Senate has just about the same legislative authority as the House of Commons, in practice that authority is very seldom exercised because the Senate lacks democratic legitimacy. Unlike the Canadian Senate, the United States Senate, the German Bundesrat and the Australian Senate all have effective political power which they use to ensure that national policy reflects the interests of all the regions and governments of the country. The Commission believes that, if there was an elected Senate with equal representation of the provinces, regionally sensitive issues would get a fuller hearing and require more negotiation and compromise among regional interests in Canada.

One can think of several examples of major policy issues in the past 50 years when outcomes would have been different if federal institutions had greater built-in regional sensitivities. For example, one could argue that the 1980 National Energy Program would not have proceeded in the same way and not have been as damaging to western economic interests if the federal legislation had to be negotiated with an elected Senate. Or it could be argued that federal legislation and programs for industrial and regional development would have been more complementary and consistent in terms of regional balance if reviews by Senate or House of Commons committees had sufficient influence to overrule bureaucratic bias in Ottawa. More equitable and sensitive regional representation, while not eliminating national debate on these and many other issues, would have transformed it into more productive channels which would have likely led to more judicious and quicker resolutions.

Canadians from all parts of the country know that federal institutions do not adequately reflect their interests and aspirations, but it is more than something they just have to "live with." Political and bureaucratic power in the Government of Canada is becoming ever more concentrated within the Prime Minister's Office and other central agencies.[7] The system has become dysfunctional not only for this province, but for the country as a whole. Canadians continue to face major policy issues on which national consensus is hard to achieve. Institutions that are able to mobilize more stable and equitable compromises will provide more effective governance over the long term.

Finally, part of the "problem" with Ottawa, from the perspective of people who live outside Ontario in particular, is a very old Canadian phenomenon, born of the sheer geographic size and diversity of Canada. That is the reflex that treats the interests and issues of central Canada as automatically of national importance, while treating those from elsewhere as merely "regional." From Newfoundland and Labrador's perspective, for example, fisheries issues often require a national response, particularly when international law and diplomacy are concerned. But it is rarely accorded national significance partly because it is not economically or socially significant to central Canada. As Rex Murphy said recently: "It may not be a pleasant thought, but distance from the centre is, in far too many ways, for far too many people, the very measurement of this confederation's worth and meaning."[8] Better regional representation in the federal parliament might help to alleviate this problem, but it is unlikely to ever disappear. Not only government, but also private institutions and civil associations in Canadian society, including the media, have a responsibility to ensure that the concerns, interests — even passions — of one part of the country are understood and appreciated in other parts of the country. It is something for which, as Canadians, we all need to take responsibility. Success will come only if we are committed to accepting that responsibility and continually seeking creative solutions.

Federal Administrative Representation and Presence

The second reality is the application of administrative power and policy. There are two dimensions to consider: first, the role of people from Newfoundland and Labrador in Ottawa, and second, the federal administrative presence in the province. Newfoundland and Labrador is even less well represented in appointed positions in the federal government than it is in elected ones.[9] There has been only one deputy minister from this province since Confederation. There has never been a Supreme Court justice. We have had very sporadic representation on major federal boards and agencies. It is worth noting that the federal government has made at least three major attempts in the past 30 years to ensure that the public service in particular reflects Canada's diversity. The first was to make the public service bilingual. The second was to make the public service reflective of our multicultural and multiracial reality and the third to increase the representation of women. The time has also come to have a more proactive policy of better representing all provinces and territories of Canada in the federal administration. This could include more extensive use of executive interchange and recruitment at all levels from a broad geographic pool.

Another important dimension is the direct federal presence in Newfoundland and Labrador. The federal bureaucratic presence outside Ottawa has been declining for some time in Canada. This goes relatively unnoticed in the larger cities, but in smaller cities, towns and rural communities the elimination of post offices, Canada Employment centres, and small craft harbour authorities among others, has a disproportionate effect on local economies. More serious for Newfoundland and Labrador were the major federal budgetary cuts of 1995 in which across-the-board reductions in the federal presence occurred. Federal employment in Newfoundland and Labrador was cut by 38 per cent, the highest proportion of cuts of any province in Canada.[10] More efficient public management may have resulted through contracting out, privatization and, in some cases, the downsizing of federal operations. Nonetheless, the cumulative effect in this province has been a clear sense of federal abandonment. The federal government is regarded as less visible, more remote, and less engaged in the local society and economy. These trends have happened, if less severely, all across Canada. Yet, federal government employment in the national capital region has rebounded to early 1990s levels.[11]

What is less evident elsewhere is the consistent downgrading of federal administrative authority which has happened in Newfoundland and Labrador. There are no departmental Atlantic regional headquarters offices in this province, although 17 regional headquarters are located in Nova Scotia and 11 in New Brunswick. Prince Edward Island houses the national headquarters of the Department of Veterans Affairs. Regional headquarters are located in Newfoundland and Labrador only in those instances where federal regions are defined as a single province, such as with Fisheries and Oceans and Human Resources Development. The Canada Customs and Revenue Agency (CCRA) maintains a Regional Income Tax Processing Centre in St. John's, but the CCRA's Atlantic Regional Office is in Nova Scotia. Thus, for all but two federal agencies, local federal managers must report to and obtain authority for a wide range of decision-making from regional headquarters located in Halifax or Moncton, not to mention Ottawa.

One recent example that speaks to this issue is this year's further diminishment of Environment Canada's weather forecasting office in Gander. In this age of information technology, why should high-tech services such as weather forecasting be based in Halifax and not Gander? Why cannot Gander be the weather forecasting centre for eastern Canada? The automatic assumption, merely because of our location, seems to be that national or regional administration has to be done in Ottawa or Halifax. Given the importance to this province of fisheries management, for example, a substantial portion of central federal administration should be based here. Finally, a small but notable case is that of the federal government's Canada Hibernia Holding Corporation. This organization performs the important function of administering the federal government's investment stake in the Hibernia oilfield project. Its office is located, not in St. John's, but in Calgary where it is lost in dozens of similar offices. The Commission is not aware of any technical, commercial or administrative reason why this office should not be based in this province.

Another aspect of the federal presence in Newfoundland and Labrador is the apparent "Atlantic region" policy of the Government of Canada. For administrative convenience, the federal government has for many years treated "Atlantic Canada" as a single unit. To most people outside Newfoundland and Labrador, administrative policies and practices that combine the four Atlantic Provinces are just common sense — four small provinces with similar interests. Yet from this province's perspective there are practical problems with this approach. There is no "Atlantic region" in the sense of a common identity of the people.[12] While some "Maritimers" have a common identity as such, virtually no one in this province shares that identity. Instead, the Atlantic region concept creates misconceptions, reinforced by the fact that the very distinction of Maritime/Atlantic is lost on most Canadians — that the Maritimes means the three provinces of Nova Scotia, Prince Edward Island and New Brunswick, but that Atlantic refers to those three plus Newfoundland and Labrador. Newfoundland and Labrador not only has a separate history and culture and a much larger and more diverse geography, but it also has significant differences in economic, social and political interests. In some limited respects, an Atlantic regional economy may exist, but the benefits of an Atlantic-wide policy seem mainly to accrue to Halifax or Moncton.

These differences limit the degree to which the Government of Newfoundland and Labrador can cooperate effectively with the other Atlantic Provinces — even though some cooperation takes place. In the past decade or so the four Atlantic Provinces, through the Atlantic Premiers' Council and similar organizations, have achieved some success in practical integration. This includes initiatives such as an Atlantic procurement policy for purchasing goods and services, the harmonization of regulation across many fields, and joint efforts at trade and tourism promotion, educational curriculum development, and a community college consortium.[13] Despite these accomplishments, the Commission's view is that Newfoundland and Labrador should pursue common Atlantic Province positions or integration initiatives on a case by case basis, when they have significant potential advantages for this province. There is no compelling evidence that a more general, all-purpose common front would make a sufficient difference to warrant the watering down of our specific interests.

More fundamental is the objection to the concept of an Atlantic region. It speaks volumes about our place in Canada. It reinforces the view that this place does not merit full provincial status and that provincial borders in the "Atlantic" should dissolve. And, of course, when we are continually integrated with the Maritimes, our true needs and aspirations are often rendered invisible. Most tellingly, it enables federal bureaucrats and, increasingly, federal politicians to claim that if it has been done in and for Halifax or Moncton, somehow it has also been done for Newfoundland and Labrador.

Intergovernmental Relations

The third way the federal system currently works is through intergovernmental affairs. Canada is a work-in-progress, and intergovernmental relations represents one of the few ways in which that work can be effectively done. It is especially important in order for provinces to ensure their place in Canada. This is so, not only for this province, but for all provinces, especially the smaller ones. Just as Canada benefits from rules, norms and institutions at the international level that temper the power of the big powers, so too smaller Canadian provinces can benefit from rules and mechanisms that enable the federation to work more equitably.

While the federal constitution attempts to divide jurisdiction as much as possible, in practice many areas of policy are shared. This interdependence was growing in Canada just as Newfoundland joined the union, and became ever more intense over the next forty years. Federal/provincial negotiations, consensus and agreement became the norm for dealing with such major policy fields as social programs (including medicare, social assistance, post-secondary education and housing), the environment, regional development and trade promotion. Intergovernmental relations involve a wide array of forms: bilateral, multilateral, regional and cross-Canada. Governments are free to pursue whichever forum suits the issues. However, for the federal system as a whole, the most important intergovernmental relationships are the joint federal/provincial/territorial ones, through which national, and not just federal policy, is often formed. The system of federal/provincial and interprovincial relations (much of the time including the three territorial governments as well) has played an enormous role in effecting cooperative change in Canada.

Intergovernmental arrangements and cooperation have served this province well since 1949. These have included bilateral agreements such as the General Development Agreements (GDA) and Economic and Regional Development Agreements (ERDA) from 1974 to 1994, the Atlantic Accord of 1985, the Hibernia agreement of 1991, as well as the multilateral agreements such as the Constitutional Accord of 1981 and the Agreement on Internal Trade of 1995. However, the federal government seems increasingly less interested in cooperative approaches, in regular intergovernmental exchange and in reaching national (i.e., federal and provincial) consensus on major issues.[14]

Intergovernmental relations have come under some fire in recent years. As a result of the Meech Lake situation, many Canadians came to distrust the closed and executive nature of these mechanisms, especially when such fundamental things as the constitutional future of the country were being discussed. Complex intergovernmental fiscal arrangements have blurred a sense of accountability for who is responsible for what, seen, for example, in the health care field.[15] Also, some critics think that competition among governments produces better results in the long run: that it is good that governments compete for electoral favour and sometimes choose to be uncooperative. This Commission does not deny that some competition can be a good thing, nor does it deny the reality that in our system of partisan politics, political leaders can have ideological and other differences that limit cooperation. However, on balance, the Commission is convinced that more collaborative relationships, not less, are required in the future. This is true nationally and internationally. The Government of Canada has been preoccupied in recent years with Canada's changing global position; it is vital that Canada has a sustainable and stable role in international matters. Whether it relates to the World Trade Organization, the Kyoto Protocol on Climate Change or global public health, effective governance means effective multi-level relations reaching from the local to the international level. Federal/provincial relations, properly conducted, can contribute to maintaining Canada's position in the world.[16]

Our present intergovernmental institutions have limits when it comes to effective decision-making. Federal/provincial mechanisms are too ad hoc and too dependent on the will of the federal government. The decision to have a First Ministers' meeting is in the hands of the federal Prime Minister alone; there is no regular schedule or formal agenda-setting process. The decision-making within intergovernmental meetings is also very informal: no votes are taken and decisions are not binding in law, which often limits results to watered-down consensus. At the very least, the federal/provincial/territorial forums could build upon the practice in the past decade of the Annual Premiers' Conference (APC – Provinces and Territories). The APC has become more focused, benefits from more extensive preparation and follow-up, and has taken on a more ambitious policy role. This has led to more productive interprovincial relationships.[17]

Many of the major opportunities for achieving prosperity and self-reliance depend on a productive relationship between governments. Building and maintaining a successful partnership requires a strengthened intergovernmental affairs organization, led by a strong minister and supported by a team of advisors with knowledge and experience in federal/provincial matters and relationships. Also required is a carefully considered, long-term, comprehensive intergovernmental strategy. This involves setting priorities and communicating them consistently to the federal government and other provinces. The strategy should be based on careful policy research and analysis, not only with respect to relationships with the federal government, but also with the key neighbouring governments of Québec and the Maritime Provinces, with the other provinces and territories, and with our closest international neighbours, St. Pierre and Miquelon and the New England States.

The only physical border which Newfoundland and Labrador shares with any other province is with Québec. Our relationship with that province has been under strain for some years because of the Churchill Falls arrangements and the lack of the development of the Lower Churchill. It now is time to look in a much broader and longer term context at whether Newfoundland and Labrador and Québec can achieve stronger political, economic and cultural ties. This could extend, not only to hydroelectric power, but to many other areas where there are common opportunities and challenges, such as economic development and transportation on the Lower North Shore of Québec and the Straits of Labrador. There are also joint discussions which can take place on the potential offshore oil and gas development in the Gulf. Now is the time to break new ground in our relationships with Québec.

The Opportunity for Intergovernmental Renewal

This Commission is reporting at a moment of significant potential change in the Canadian political landscape. Earlier this year Québecers elected a new government led by Premier Jean Charest who is placing a renewed focus on making the Canadian federation work better. Several other provinces will also hold elections this year. At the federal level, a leadership process is underway to find the Honourable Jean Chrétien's successor as Prime Minister, providing what will be in essence a new federal government.

In response to the growing dissatisfaction with our political institutions among Canadians everywhere, there now appears to be an openness to change. We see that dissatisfaction expressed in calls for electoral reform, for more openness in parliamentary debate, for a greater role for free votes and for less rigid party discipline. We see it expressed in recent proposals for Senate reform, for a Council of the Federation, and for other ways to make intergovernmental relations more effective. However, we do not see any groundswell for constitutional change, which many see as leading to conflict and paralysis.

There are both risks and opportunities for Newfoundland and Labrador in this new era of Canadian federalism. Over the years our province has supported both a strong federalist and centralist power structure in Canada, reflecting our fiscal dependence on the federal government and the need for the federal government to counterbalance the interests of larger provinces. This strategy, at least as a general proposition, has not worked to significantly change our place in Canada. Alternatively, this province has at times cast its lot with the group of provinces seeking more power from the federal government – recognizing as many Canadians do that better decisions are those made closer to the people. While such a strategy may be beneficial in specific instances, the Commission believes that there should be a strong federal government, sensitive to the needs of the provinces and territories. But there should also be strong provinces. Such a balance is better for Newfoundland and Labrador. Ours is a small province with limited fiscal capacity. Canada needs a strong federal government to preserve its own place in the world and to work with the provinces and territories to promote common Canadian goals.

As stressed at several points in this Report, this Commission believes that the longer-term interests of Newfoundland and Labrador are best served by a *balanced and collaborative Canadian federalism*. This would have the following features:

- strong provinces and territories, among which the gaps in fiscal capacity decrease over time. The primary presumption would always be that when a province/territory is itself able to deliver a program, it would do so.[18]
- a strong federal government but with a much greater ability to represent all parts of Canada. This should include reform of the Senate to improve the representation of the provinces in the federal parliament.
- federal principles of sharing and sustaining the social union, which involve a recognition of a strong federal role in taxation and spending, but within the parameters of a jointly-determined approach as begun under the Social Union Framework Agreement.
- more predictable, regular and productive federal/provincial/territorial relations, led by the First Ministers. Governments should explore the options for more formal forums for federal/provincial relations.
- greater emphasis on intergovernmental partnership, not competition, to achieve collective goals. This can only happen, however, in an atmosphere of respect and trust.

Within these principles, there is much room for continued adaptation, negotiation and flexibility. As the province's experience in Canada has shown, the federation is a work-in-progress. This Commission and the people of Newfoundland and Labrador look to our provincial and federal representatives, and to the representatives and governments of other Canadians, to start working together to do just that.

The primary responsibility lies with the Government of Newfoundland and Labrador and the Government of Canada. They must deal more collaboratively with one another, seeking common solutions to such problems as restoring the groundfish fishery and achieving more equity in offshore oil revenues. This will require a conscious and concerted effort to build personal and governmental relationships at all levels. A productive and mature relationship will be based on open and frank communication and trust.

Yet there are many other kinds of alliances that our provincial government must prepare for and promote. These include:

- a tripartite partnership with Québec and the federal government on new hydroelectric developments in Labrador.
- a partnership with other resource-producing provinces on equitable resource revenue arrangements.
- a partnership with other provinces to reform the mechanisms of intergovernmental relations and to achieve consensus on an elected Senate.
- a partnership with the federal government and all the provinces and territories on such multilateral issues as fiscal arrangements (equalization, Canada Health and Social Transfer) and on broad, cross-Canada challenges such as a national strategy for rural Canada.

In forging these alliances, one realizes the truth of the old adage that "There are no permanent alliances, only permanent interests." However, the Commission's goal generally has been to show that the Canadian federation is only as strong as its weakest link, that the federation must work better, not only for our province, but for all.

Conclusions

The Government of Newfoundland and Labrador seeks a new relationship with the federal government and other partners in the federation. The Canadian federation is founded on the principle of sharing power between federal and provincial governments. While in constitutional terms all provinces are equal, in reality they are not. Some have much larger populations and much bigger economies. The population of Newfoundland and Labrador is less than 2 per cent of the Canadian total. But, as a province, we are one in ten.

For Newfoundland and Labrador to be a full Canadian partner, it is necessary to have a federal government and other institutions with values that reflect and reinforce the provincial composition of Canada. The following provides a summary of our conclusions:

- Intergovernmental mechanisms must give provinces an equal place at the table. Smaller provinces and territories feel especially exploited and are united in their frustration over their inability to bring about change in the federation. There is an uneasy sense that the federal government has a strong bias toward diminishing the role of provinces. The Commission supports the calls made by many provinces/territories for annual and better supported First Ministers' meetings.

- An elected Senate is needed with equal representation from every province. This is a longer- term goal in that it requires constitutional amendment. The provinces should work together to achieve consensus on an agenda for Senate reform.

- The concept of provincehood should be more strongly valued in the operation of the federation. The provinces are not just another set of "stakeholders." Nor should the Government of Canada assume that Newfoundland and Labrador's needs and interests are always covered by reference to an Atlantic region policy. The federal government should respect this principle in all its policy initiatives and in program implementation. The federal public service must also be more sensitive to Canada's regional diversity. Options for improvement include: extensive travel of senior public servants to the provinces/territories, regular meetings on substantive issues held outside the nation's capital, executive interchanges between senior provincial/territorial and federal officials, and a proactive federal government policy of greater participation of all the provinces in the senior levels of the public service.

- The level of federal government presence in the province is an important economic indicator of how seriously the federal government sees its role in Newfoundland and Labrador. The recent abandonment of the weather office in Gander is a prime example of the ease with which the Government of Canada can diminish its presence in Newfoundland and Labrador based on an overall Atlantic strategy.

- The Government of Newfoundland and Labrador must become better organized to deal more effectively with the Government of Canada and other governments in the federation. The Minister of Intergovernmental Affairs should be a powerful member of Cabinet who can deal effectively across departmental lines and be a champion in Ottawa on all things important to the province's place in Canada. It would be ideal if the Intergovernmental Affairs minister were the premier of the province or, alternatively, a minister with the status of deputy premier.

- The provincial government needs to have a carefully considered, long-term comprehensive strategy for intergovernmental affairs, setting out priorities and communicating them consistently to its federation partners. The senior advisers in Intergovernmental Affairs should be second

> to none within the province's public service. They should understand the complexities of the federal system and develop close working relationships with the federal and other governments. A key role of the strengthened office of Intergovernmental Affairs would be to help the federal government and its advisors gain a far better understanding of the province. The first and most important task in the new intergovernmental strategy would be to present, at the earliest possible date, a comprehensive overview of our place in Canada to federal cabinet ministers and senior advisors.

In summary, the Commission calls for a firm but reasoned approach to building the relationship between the federal and provincial governments. The Commission anticipates a broad agenda for intergovernmental renewal, and this should engage the provincial government fully. The Commission has noted that these matters are of increasing interest to Canadians throughout this country.

"... the feeling of being left out constitutes one of the soft fractures of this Confederation, as alive in Newfoundland and the East Coast as it is, depending on the time of day, say in Alberta.

Rex Murphy

"We have lost control of our lives. We have a sense that we have no power."

Excerpt from the Public Consultations

"Despite valiant efforts to avoid such a fate and strong evidence that Canada's tenth province differs substantially from its Maritime cousins, Newfoundland and Labrdor found its identity submerged in a region that had already congealed in the Canadian vocabulary by 1949."

Margaret Conrad

Address to the Newfoundland Historical Society, May 2003

ST. CLARE'S MERCY HOSPITAL
MAIN ENTRANCE

Chapter 9

Fiscal Federalism

In the Commission's hearings and consultations, many people expressed concern about the state of the province's public finances, about the inadequacy of its public services and about its not meeting Canadian standards for social programs such as health care. The Commission heard from post-secondary education institutions and their students, and from people on social assistance. These issues involve fiscal federalism, the arrangements whereby social and economic programs are funded and delivered within a federation.

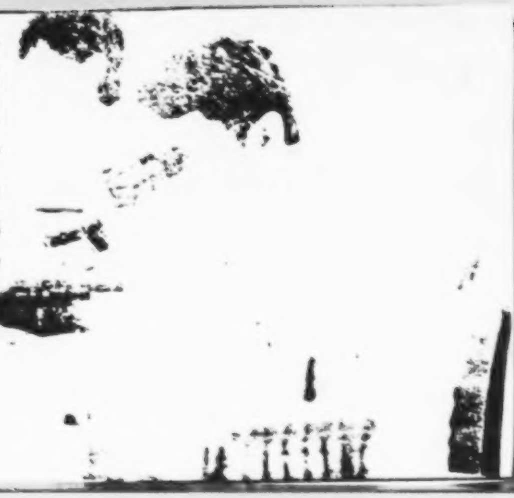
In Canada, the federal government has an advantage over provincial governments when it comes to raising revenues. Provincial governments, especially in smaller provinces, recognize that an increase in provincial tax rates may cause their taxpaying citizens and businesses to relocate to other provinces. Such relocation is ineffective against federal government taxes. On the expenditure side, however, the responsibilities of provincial governments are substantial. For instance, the provincial governments must provide health care and education, both of which are very costly. Having such spending responsibilities, but with less scope than the federal government to raise revenues, causes a "fiscal gap" for provinces generally. To address this, a system of intergovernmental transfers is needed. For the federation to function properly, the transfers from the federal to provincial governments have to be sufficient to do what is required.[1] If not, there will inevitably be a "vertical fiscal imbalance," with the result that provincial governments will not have sufficient funds to adequately deliver the programs for which they are responsible.

The provincial and territorial governments argue that such an imbalance has existed for some time. In 2001, Québec established a Commission on Fiscal Imbalance, chaired by Yves Séguin. Its report, released in 2002, concluded that there was a serious imbalance, and warned that the federal government's strong fiscal position was allowing it to encroach into areas of provincial jurisdiction rather than partnering with provincial governments.[2] Subsequent to the Séguin Report, a further study prepared by the Conference Board of Canada for the provincial and territorial governments also concluded that there is a substantial vertical fiscal imbalance.[3] While the federal government may not agree that there is an imbalance, it cannot deny that sustaining an adequate level of social programs requires that it make transfer payments to provincial governments.

Intergovernmental transfers are made in all federations, either through formal programs or on a discretionary basis. In Canada, the federal government currently has two major intergovernmental transfer programs: the equalization program and the Canada Health and Social Transfer (CHST). Equalization provides unconditional grants to provincial governments with weak abilities to raise revenue. The CHST goes to all provincial and territorial governments and is intended to support their programs in health care, post-secondary education and social assistance. In addition, the federal government's regional development programs can include such intergovernmental transfers as cost-sharing agreements with individual provinces.

"[Intergovernmental payments] illustrate the Commission's conviction that...provincial autonomy must be respected and strengthened, and that the only true independence is financial security....They are designed to make it possible for every province to provide for its people services of average Canadian standards....They are the concrete expression of the Commission's conception of a federal system which will preserve both a healthy local autonomy and build a stronger and more unified nation."

Canada 1939 Report of the Royal Commission
on Dominion-Provincial Relations Vol. 2
(King's Printer, Ottawa, p. 125.)



These transfer payments reflect the practical Canadian values of provincial equality and autonomy, sharing and equity, and efficient public services. Fiscal transfers also play an important part in promoting national economic efficiency and integration by ensuring that tax burdens are not significantly greater in one part of the country compared with another, and by ensuring that people move to take up economic opportunities, not just to attain better public services and lower taxes.

Fiscal arrangements are vital to sustain the social union in Canada by helping to meet the need for similar standards of social programs and other entitlements. What Canadians want and have come to expect in terms of social entitlements differs very little from province to province. Health care is the most obvious example, but it also extends to other areas. Newfoundland and Labrador has been a strong supporter of the evolving social union over the years, including the 1998 Social Union Framework Agreement (SUFA) between the federal government and all the provinces and territories except Québec and Nunavut. That agreement provides a mechanism whereby the federal, provincial and territorial governments may establish ground rules for federal programs that fund provincial and territorial social programs, as well as for federal programs in areas of provincial and territorial jurisdiction. Thus, its purpose is to ensure that the federal government acts in partnership with provincial and territorial governments. To date, SUFA has not lived up to expectations,[3] but it may yet provide a basis for a balanced arrangement among all the governments to guide social program transfers.

Fiscal federalism is also a practical means to fulfill the principles enshrined in section 36 of the Constitution Act, 1982:

> 36(1) Without altering the legislative authority of the Parliament or of the provincial legislatures, or the rights of any of them with respect to the exercise of their legislative authority, Parliament and the legislatures, together with the Government of Canada and the provincial governments, are committed to:
>
> (a) promoting equal opportunities for the well-being of Canadians;
>
> (b) furthering economic development to reduce disparity in opportunities; and
>
> (c) providing essential public services of reasonable quality to all Canadians.
>
> 36(2) Parliament and the Government of Canada are committed to the principle of making equalization payments to ensure that provincial governments have sufficient revenues to provide reasonably comparable levels of public services at reasonably comparable levels of taxation.

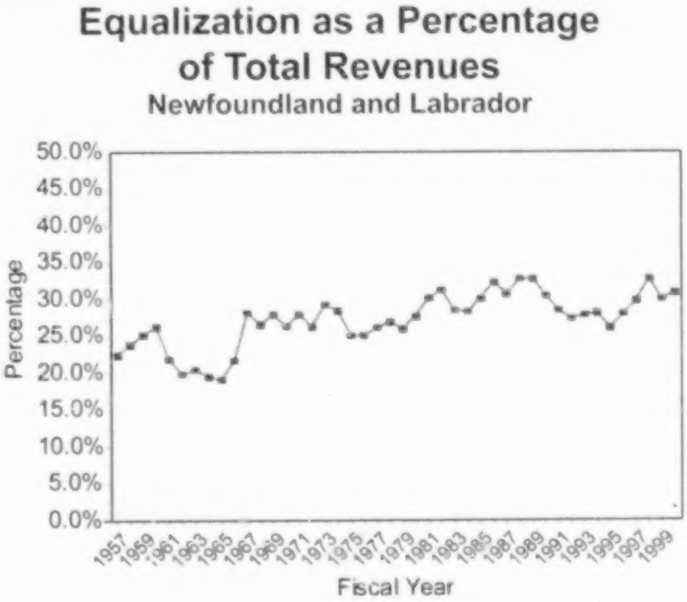
The principles in section 36(1) show that equality of opportunity is an important Canadian value. It means that specific measures to promote development in provinces with economic disparities can make important contributions to promoting equality of opportunity and reducing the disparities. "Essential public services of reasonable quality" is also part of that commitment, which is further supported by the commitment to making equalization payments in section 36(2). These constitutional principles mean that fiscal arrangements should help promote, not hinder, major economic development opportunities that can reduce disparities and promote equality of opportunity.

Equalization

The equalization program is entirely financed by the federal government. Since its beginnings in 1957, its purpose has been to provide funds to provincial governments so that they can offer similar levels of public services without having to resort to much higher tax burdens than in other provinces. The equalization program has been an important source of revenue to most provincial governments. At times, as many as nine provincial governments have been in receipt of equalization payments from the federal government. In 2003-04, such payments from the federal government are estimated to total $10.5 billion, of which more than $850 million represents the entitlement of Newfoundland and Labrador.

These payments have been, and continue to be, an especially important source of revenue for Newfoundland and Labrador. Figure 9.1 shows that equalization payments have typically equalled between 20 per cent and 35 per cent of total provincial government revenues, far more than is usual in other recipient provinces.

Figure 9.1



Source: Department of Finance, Government of Newfoundland and Labrador.

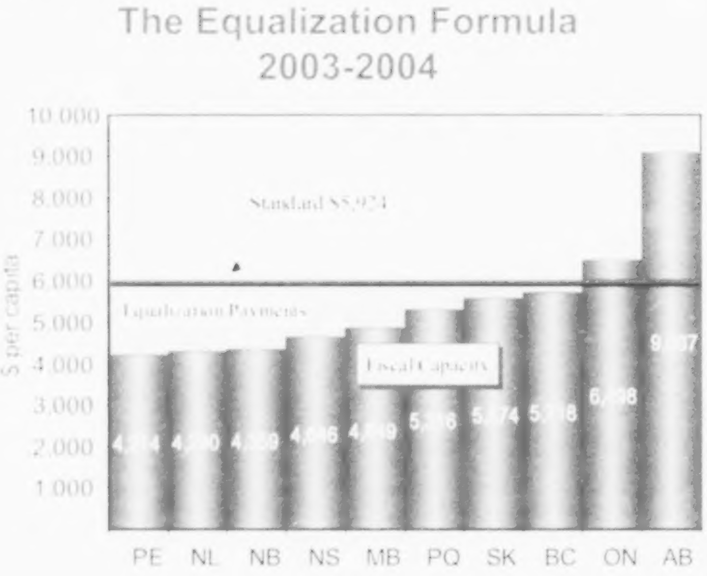
The federal government has always followed a revenue-based formula as the means of calculating a provincial government's equalization entitlement. In its most basic form, the formula uses just three steps to determine a province's annual per capita entitlement. First, the federal government establishes a revenue benchmark, or standard, which is expressed in dollars per person. Second, it determines each provincial government's ability to raise revenue; this is referred to as a province's fiscal capacity, and is also expressed in dollars per person. Third, the difference between the standard and the provincial fiscal capacity is calculated. Any amount by which the standard exceeds the fiscal capacity is the amount of the province's equalization entitlement on a per capita basis. This per capita entitlement, multiplied by the province's population, is the total equalization entitlement. If the standard is equal to or less than a province's fiscal capacity, there is no equalization entitlement for that year.

Initially, the standard was based on the ability of the two richest provinces in raising revenues from three sources: personal income tax, corporate income tax and succession duties. Over time, the standard has been considerably broadened to include many more sources of revenue, such as general sales taxes, the income of government Crown corporations, tobacco taxes and, in varying degrees, natural resource revenues. The reference set of provinces used in the standard was initially two provinces, then changed to include all ten provinces. Since 1982, five provinces have been part of the standard, namely British Columbia, Manitoba, Ontario, Quebec and Saskatchewan. The standard is now the estimated per capita revenue that these five provinces would raise if they used the national average tax rates for each of over 30 revenue sources.

A province's fiscal capacity is currently measured as the estimate of how much revenue it could generate from the same set of revenue sources used in the standard, under the assumption that the provincial government imposed the national average tax rate corresponding to each of those sources. Thus, fiscal capacity is not how much revenue is actually collected, but an estimate of how much a provincial government could collect if it applied the national average tax rates.

Figure 9.2 shows estimates of the fiscal capacities of provincial governments and the standard for the fiscal year 2003-04. The standard is $5,924 per capita. As can be seen in Figure 9.2, Ontario and Alberta have higher fiscal capacities than the standard and so are not entitled to equalization. Newfoundland and Labrador has a fiscal capacity of $4,290 per capita. Since this is less than the standard, the provincial government is entitled to equalization for this year. According to Figure 9.2, seven other provincial governments are entitled to equalization for this year.

Figure 9.2



Source: Government of Canada, Department of Finance, First Equalization Estimate 2003-04, February 2003.

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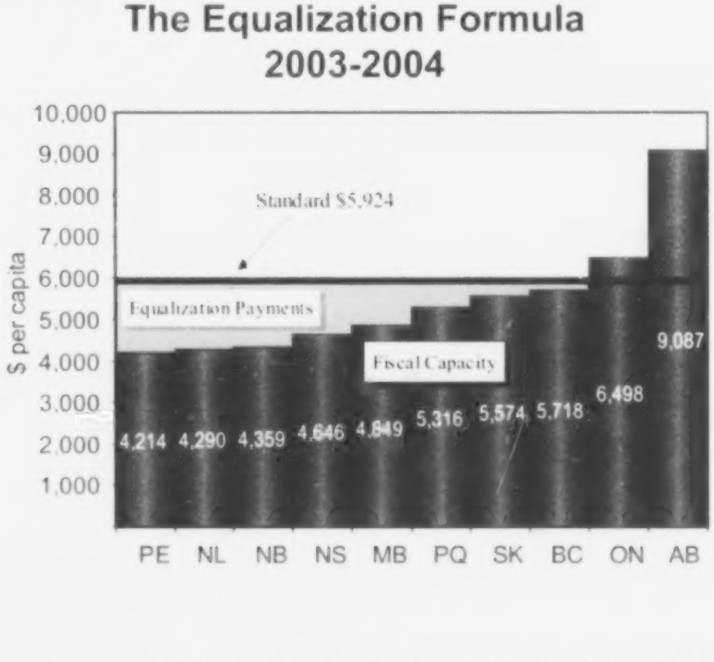

Source: Government of Canada, Department of Finance, First Equalization Estimate 2003-04, February 2003

The dollar amount implied by the difference between the standard and a province's fiscal capacity may not be the actual entitlement for a provincial government. The federal government makes adjustments for any ceiling or floor provisions that may be in effect. Ceilings have been used to put a limit on the total amount that would be paid out in equalization. During the 1990s, the federal government tightened ceilings on total payments, leading to equalization payments substantially below those implied by the differences between the standard and fiscal capacities of the provinces. In 2003, however, the federal government agreed to remove the ceiling provision. The floor, in contrast to the ceiling, applies to individual provinces. If a province's entitlement, as determined by the difference between the standard and its fiscal capacity, falls in a specific year, the floor provision allows for payments to ensure that the loss in equalization does not exceed a certain amount. In 2001-02 and 2002-03, Newfoundland and Labrador received floor payments. In various years since 1992, New Brunswick, Saskatchewan, Prince Edward Island and Nova Scotia have also received floor payments.

Another significant component of the program is the "generic solution," introduced in 1994: if a province has 70 per cent or more of a single revenue source, then 30 per cent of that province's revenue from that source is excluded from the calculation of its fiscal capacity. The generic solution was adopted due to a recognition that a province with a very large share of a revenue source could influence the national average tax for that revenue source. In practice, the generic solution applies only to revenues from a few natural resources in some provinces; in some years it has applied to Saskatchewan's potash and heavy oil, Nova Scotia's offshore gas and Québec's asbestos. Importantly, it can also be invoked for Newfoundland and Labrador's offshore oil revenues, an issue that will be discussed later in this chapter.

In principle, the equalization program is an attractive method for determining intergovernmental transfers. Funds generated by the federal government's superior access to revenues are transferred to provincial governments that, unless they impose extraordinarily high tax rates, do not have access to revenue sources sufficient to fund the public services for which they are responsible. The most important element of the current equalization program is its unconditional nature. There are no strings attached to how the recipient provinces spend the money. This is an entirely appropriate arrangement in a federation. The provincial governments do not tell the federal government how to collect these revenues, and the federal government does not tell the provinces how to allocate the funds among the public services for which they are responsible. However, some aspects of the program are of concern. These relate to the adequacy of the payments and to the manner in which natural resource revenues are currently treated in the formula.

The first to be considered is adequacy. The overall level of funding for the equalization program has been contained by the federal government. This has been done by various means. The federal government's redefinition of the standard in 1982 had the effect of lowering the standard: excluding Alberta brought the standard down more than the exclusion of the Atlantic Provinces brought it up. During the 1990s, the tightening of the ceiling, to the point of freezing it in some years, also reduced the amount the provinces would have received under this less generous standard. The effect of these cost-containment measures, especially coming at a time of growing demands for public services that are the responsibilities of the provinces, was to place many provincial governments in difficult circumstances. The ceiling has now been removed but, unfortunately, the five-province standard has not yet been changed.

Another element of the adequacy issue relates to population decline. It is particularly important to this province, and it is likely a concern shared by other provinces, particularly Québec and Saskatchewan. The 10 per cent decline in the population of this province since 1991 has been dramatic. The decline underscores the severity of the economic challenge facing this province. It also creates an equalization-related problem. A province's equalization entitlement is equal to its per capita entitlement multiplied by its population. If the population declines, the total entitlement declines as a result. However, with sizeable reductions in the population, it is extremely difficult to reduce program expenditures that were based on serving a larger population. Moreover, debt obligations must still be paid.

Compounding this problem is the fact that equalization entitlements are based on estimates of the population. When it turns out that a province's population has declined more than was initially estimated, or has increased less than estimated, the federal government can then seek to recover prior overpayments. This is unfair and impractical in the short term. It is impossible for provinces to adjust their spending programs retroactively, and it is impractical to make complete adjustments in the short term. In the view of the Commission, the equalization formula should include a population-floor provision in order to phase in the impact of a population loss on a province's equalization entitlement in any one year from the previous year's entitlement. This provision is distinct from the current equalization floor provision which does not address population loss, but typically limits a province's equalization losses caused by a large change in its per capita fiscal capacity relative to the per capita standard. An allowance should also be made for retroactive population estimates that are disadvantageous to any province.

Apart from adequacy, there is a second concern especially important to this province and to Nova Scotia, i.e., the treatment of natural resource revenues.[6] The purpose of an equalization payment is to fill any gap between a province's fiscal capacity and the equalization standard. Therefore, by design, if the gap widens, a province receives more equalization, and if the gap narrows, a province receives less. The latter effect is sometimes referred to as a "clawback." When a province's fiscal capacity improves generally, there is usually little debate about that effect. However, controversy occurs when the improvement in fiscal capacity arises from increased natural resource revenues. This controversy did not originate in Newfoundland and Labrador. It has been ongoing almost since the beginning of the program, and reflects an even longer and wider debate over the extent to which provinces should control and benefit from their natural resources.

For Newfoundland and Labrador, the extreme implications of the clawback became striking in 1982. In that year, the federal government redefined fiscal capacity to include all non-renewable natural resource revenues; at the same time, it removed all of Alberta's non-renewable natural resources from the standard by excluding that province from the reference provinces in its new five-province standard. In the five years prior to 1982, 50 per cent (rather than all) of these revenues had been included in both the standard and fiscal capacity. With the new definition, this province's revenues from offshore development would now be offset on a dollar-for-dollar basis through reductions in equalization, rather than on a 50 cents on the dollar basis as under the previous arrangement. Nova Scotia faced the same prospect with regard to oil and gas off its coast. The consequences of the situation were obvious. Without some action, offshore developments would lead to no net increase in revenues to these two equalization-dependent provinces; at the same time, the federal government would be saving on equalization payments and adding to its own revenues from applicable federal taxes.

In recognition of this problem, both the Canada-Nova Scotia Offshore Petroleum Resources Accord of 1986 and the Canada-Newfoundland Atlantic Accord of 1985 incorporated "offset" payments. Under the Atlantic Accord, Newfoundland and Labrador can receive some compensation (i.e., offset payments) from the federal government for any year-over-year reductions in equalization entitlements during the initial years of oil production. The Atlantic Accord, like the Nova Scotia Accord, is not part of the equalization formula. The Atlantic Accord will be discussed in more detail in Chapter 11.

Within the equalization program itself, there is an alternate way to avoid a dollar-for-dollar loss in equalization payments as offshore oil revenues increase. It is the generic solution. Newfoundland and Labrador's offshore revenue consists almost entirely of oil royalties and provincial corporate income taxes on oil companies. The sum of those revenues is designated as a unique revenue source in the equalization formula. Thus, by definition, the province has 100 per cent of this revenue source. Consequently, the generic solution can be applied. When it is applied, 70 per cent rather than all offshore revenue is included in the measurement of the provincial government's fiscal capacity: this limits the decline in equalization to seventy-cents per dollar of offshore oil revenue. The federal government allows the provincial government to opt for either the Atlantic Accord offset payment provision or the generic solution, but not both. Oddly, the federal government requires the choice be made before all the revenue figures are finalized, so there is the risk of selecting the less advantageous of the two. It is the view of the Commission that the provincial government must be assured that it will receive whichever option yields the greater benefit.

For 1999-00 and 2000-01, the provincial government chose the generic solution. It opted for the Atlantic Accord's offset provisions for 2001-02, 2002-03 and 2003-04. According to federal government estimates, the offset payments for those three years amount to $44.8 million, $163.4 million and $132.2 million respectively.[7] It is likely that the Atlantic Accord offset provisions will continue to be chosen as oil production and expected revenues rise in the next few years, after which time the generic solution will again be the more advantageous. Thus, the generic solution may be of great importance to Newfoundland and Labrador in the years ahead. The Commission recommends that, in the next scheduled federal review of the equalization program in 2004, the generic solution be enshrined for the long term.

The Commission noted that the Standing Senate Committee on Finance, in its March 2002 report, not only endorsed the idea of returning to a ten-province standard but also supported liberalizing the generic solution so that a greater share of non-renewable resource revenues could be retained by recipient provinces. Other federal bodies have made similar recommendations. The 1985 Report of the Economic Union and Development Prospects for Canada, a federal royal commission chaired by Donald Macdonald, recommended a ten-province standard and an even more liberalized treatment of natural resource revenues. Notably, it recommended that 20 to 30 per cent of natural resource revenues be included in the equalization formula.[8]

Finally, beyond adequacy and the treatment of offshore oil revenues, there is an ongoing, fundamental problem with equalization. The federal government can, and does, unilaterally change the program according to its interests. While the program is renewed in five-year cycles, with each renewal involving consultations with provincial governments, the federal government determines all aspects of the program. Substantial changes to the program, whether introduced at renewal time or other times, can be very disruptive to provincial governments' budgets and force abrupt policy changes as a result. While the federal government must have some latitude to adjust the program, especially in light of unanticipated events, there also should be some limiting mechanism so that the adverse impacts on provinces can be minimized. The establishment of a credible national institution to advise the federal government on equalization (e.g., Australia's Commonwealth Grants Commission) might be worthy of consideration.[9]

The Canada Health and Social Transfer

The other major mechanism by which the federal government transfers funds to the provincial and territorial governments is the Canada Health and Social Transfer (CHST). These funds, which go to all provinces and territories on per capita basis, are specifically intended to assist in financing provincial health care, post-secondary education and social assistance programs. The federal government's total spending on the CHST is actually larger than its expenditure on the equalization payments. However, as is the case with other provinces with fiscal capacities substantially below the standard, Newfoundland and Labrador receives more in equalization payments than it does from CHST payments. Table 9.1 shows this comparison for 2002-03.

Table 9.1

Total CHST and Equalization Payments to Provinces (2002-03)	Estimated Payments to All Recipient Provinces	Estimated Payments to Newfoundland and Labrador
CHST	$19.1 billion	$347 million
Equalization	$10.3 billion	$904 million

Source: Department of Finance Canada "Federal Transfers to Provinces and Territories" February 2003

The federal government claims its CHST contribution is higher than its payments as shown in Table 9.1 because it states that "tax points" should be included. This refers to the fact that, in 1977, the federal government withdrew from cost-sharing health care and post secondary education programs and reduced its income taxes to give the provincial governments room to raise theirs. As such, these tax points really refer to funds raised by the provincial governments using their own taxes; there is no payment from Ottawa in relation to these tax points.

The CHST was created by the federal government in 1996. It did so by merging two existing programs: Established Program Financing (EPF) and the Canada Assistance Program (CAP). EPF was the federal government's contribution to financing provincial health care and post-secondary education. CAP was a cost-sharing arrangement that assisted with provincial social welfare programs. When the federal government merged EPF and CAP into the CHST, it substantially reduced their total funding. As Table 9.2 shows, by 1998-99 overall funding, as well as funding to this province, was approximately 33 per cent less than in 1995-96.

Table 9.2

Estimated Federal Cuts Embodied in the Introduction of the CHST

	1995-96 EPF and CAP	1998-99 CHST	Reduction
Total	$18.5 billion	$12.5 billion	32.4%
NL	$413 million	$276 million	33.2%

Source: Department of Finance, Government of Newfoundland and Labrador

Recently, the federal government has taken measures to alleviate the considerable hardship that accompanied those cutbacks. Still, it was only in 2001-02 that total CHST funding returned to approximately the same nominal amount as in 1995-96. Largely because of Newfoundland and Labrador's population loss, CHST funding for this province in 2002-03 was still below the 1995-96 level. In the federal government's 2003 budget document, *Investing in Canada's Health Care System*, the federal government highlights its plans to increase CHST related cash transfers so that they grow nationally by an average of 7.3 per cent a year from 2000-01 to 2010-11. This increased level of funding is welcome. However, the federal government's advertisement of its 7.3 per cent figure fails to acknowledge that it is calculated from a starting point at which funding was almost 20 per cent below its 1995-96 level and, for this province, falls short of providing a sufficient level of funding to meet its existing and increasing costs of health care.

Population losses compound the adequacy problems for Newfoundland and Labrador. As with equalization, when the population declines, our total CHST funding is reduced. Yet, it is difficult to reduce public expenditure on the associated social programs at the same rate that population is declining; even the extent of population loss is not known until some time after the fact. An economic slowdown or a shock to rural areas, such as the closure of the fisheries, can put more people on social assistance, at least

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Federal Role in Economic Development

By the late 1950s, it became clear that, despite strong national economic growth and development, several parts of the country lagged behind others. National economic policies did not benefit all regions to the same degree and, indeed, may have actually contributed to regional disparities.[10] The commitment to address regional disparities is part of the implicit bargain of Confederation: in return for the participation of its constituent parts in the national economic union, the country as a whole will assist provinces that fall behind fiscally or economically. As noted already, this commitment was explicitly included in section 36 (equalization and regional disparities) of the Constitution Act, 1982.

Since the 1960s, the federal government, usually in cooperation with the provincial and territorial governments, has undertaken a variety of programs for regional development aimed at addressing regional disparities.[11] Initially, regional development programs were targeted at slow growth rural areas in the Prairies and the Atlantic Provinces. By the early 1970s, such programs were expanded to Québec and, ultimately, to virtually every province and territory. In the process, this expansion weakened the original purpose of the programs. Since 1986, the Department of Employment and Immigration (now Human Resources and Development) has also been involved in rural economic development through its Community Futures initiative. By the 1990s, two factors combined to collapse this considerable effort at regional development: fiscal restraint and market-based critics of government intervention.

From the 1970s until the mid-1980s, the provincial governments increased their direct support to industry and agriculture through subsidization and other means. The federal government, through its Department of Industry and its successors, continued and expanded its support programs for targeted manufacturing sectors, mainly to those based in Ontario and Québec. Even with the revolution in public policy of the past 15 years, during which governments have abandoned many forms of market intervention and have adopted free trade as their primary industrial strategy, federal programs of support to industry continue. So, too, does funding from most provincial governments, although at lower levels. Meanwhile, federal funding for regional development has shrunk considerably. It cannot now compete, if it ever did, with the industrial programs of other branches of the federal government or the development funding of the larger provinces. Federal regional development is now a marginal activity in Canada.

A review of the past 50 years shows that this province has been a major recipient of federal funding for economic development purposes. Funding has covered a wide range of activities and purposes and has gone through a number of phases. The first phase, the 1950s and 1960s, dealt with basic catch-up infrastructure, including roads, schools, hospitals, airstrips and municipal water and sewer services. In this period, the federal government also cost-shared funding with the province for community resettlement. By the late 1960s, the focus had shifted to industrial development, including direct assistance in grants and loans to business, as well as more direct infrastructure such as industrial parks. In the 1970s and 1980s, while the direct assistance to business continued, cost-sharing with the province expanded to include broad economic development programs aimed at upgrading specific sectors and the provincial support structure for them (the 1974-1984 General Development Agreement and the 1984-1994 Economic and Regional Development Agreement). These sectors included mineral development, fisheries, agriculture, forestry, tourism, and general urban and rural development.

Some critics argue that, rather than help to lift an economy out of slow growth and dependency, regional development funding in fact perpetuates dependency by distorting market signals.[12] It is certainly true that the funds spent in these decades on economic development could not change nor deny the reality of market forces. However, even acknowledging that many criticisms of regional development in practice are valid — i.e., that many of these investments were wasted on poor business plans, that their delivery was excessively bureaucratic, or that funds were channelled to local projects on the basis of political "pork-barrelling." — a more balanced assessment of regional development efforts should be made.

A balanced assessment begins with the recognition that scarce public funds must be put to the best possible use. Yet it seems that the federal government has "lost its way" in regional development policy. Over the years, too many federal agencies for regional development have suffered from blurred objectives and inconsistent and short-term application. Competition between the federal and provincial governments in Canada over economic development (a much broader pattern than just in Newfoundland and Labrador) has been held responsible for several shifts in program and policy focus and in the considerable volatility in the development and delivery of regional development programs.[13] In the process, the federal government has largely abandoned the idea of joint economic development planning with the provinces as entailed in comprehensive cost-shared agreements over the past 25 years.

Federal direct delivery and attempts to increase visibility can get in the way of sensible, long-term development strategy. For example, Industry Canada's pilot program for improving broadband access in rural communities relies on "partnerships" with not-for-profit, community-based associations to compete for funds to attempt unintegrated and piecemeal development in local broadband infrastructure. The success of this program will be limited by the level of funding available ($105 million for all of Canada) and by its reliance on voluntary organizations to provide such services. In this province, the more sensible approach would be to have an agreement with the provincial government and the private sector to build broadband access into health and education services. Such broadband access would then provide an essential network that individual consumers could use as well.

Instead, the current federal priority appears to be to use regional development funds provided by the Atlantic Canada Opportunities Agency (ACOA) to sustain political visibility. In the most recent fiscal year, 2002-03, the federal government, through the Atlantic Canada Opportunities Agency, spent approximately $76 million per year in Newfoundland and Labrador for assistance to business and to more general community and industry-specific economic development. Meanwhile, the abandonment of a cooperative cost-shared approach is having a negative impact in the province. The $95 million federal-provincial Comprehensive Economic Development Agreement signed in 1997 expired this year, with no successor agreement in sight. That cost-shared agreement provided critical funding for many government strategic initiatives and industry associations. Many tourism, cultural and heritage organizations told the Commission how vital funding from this agreement is to their organizations and, that without this funding, their futures are at risk. Also important for broad economic development purposes has been federal funding to the municipal infrastructure programs and funding for labour market development initiatives.

It is enormously difficult to prove cause and effect in evaluating regional development, unless one can point to a specific investment and its specific returns. Certainly, there have been some important commitments by federal governments at critical times in recent years. The financial assistance of $1 billion to the Hibernia consortium to start up offshore oil development is not forgotten. The further assistance of the federal government's taking an 8.5 per cent equity position in that consortium, after one of its private partners pulled out in 1992, was also a crucially important move. More recently, federal government financial assistance, helped to facilitate the conclusion of an agreement between the province, Inco and its subsidiary to proceed with the development of the nickel deposit at Voisey's Bay. These sorts of initiatives are important if this province is to break out of its "Catch-22" syndrome.

Because Newfoundland and Labrador is not rich, it cannot undertake such initiatives and, without these initiatives, it cannot become prosperous.

Conclusions

The equalization program is crucially important to this province. For the program to meet its intended objectives, the Commission concludes that the following changes to the program are required:

- a return to a ten-province standard
- inclusion of a population floor provision in the formula to reduce the impact on a province's equalization entitlement due to population loss, including some accommodation for prior year losses
- preservation of the generic solution for the longer term.

In the view of the Commission, it is in the national interest to make such changes and to do so in the spirit of improving the federation for all Canadians.

An adequately funded CHST is required for provinces to provide quality health and social programs. Federal cuts to funding for these programs in the mid-1990s were severe. The current strong fiscal position of the federal government demands that this situation be rectified. The Commission is aware that CHST cash entitlements for this province are still not at the level they were prior to the cuts, despite additional federal funding this fiscal year. The Commission supports the position of the province that:

- for the health care system to be sustainable, the federal government must provide greater financial support to the province
- future federal contributions to CHST should be tied to an annual escalator that reflects program costs.
- In addition the Commission supports the inclusion of a population floor provision to reduce the impact on a province's CHST entitlement due to population loss, including some accommodation for prior year's losses

The federal and provincial governments have a role in providing strategic investments to remove obstacles to development and promote opportunities. The Commission's view is that these investments should be concentrated in two areas:

- co-operatively planned and funded economic development programs in support of research and innovation partnerships, and for communications and transportation infrastructure;
- large strategic initiatives to break barriers and to encourage major private development to get underway, such as occurred with the Hibernia project.

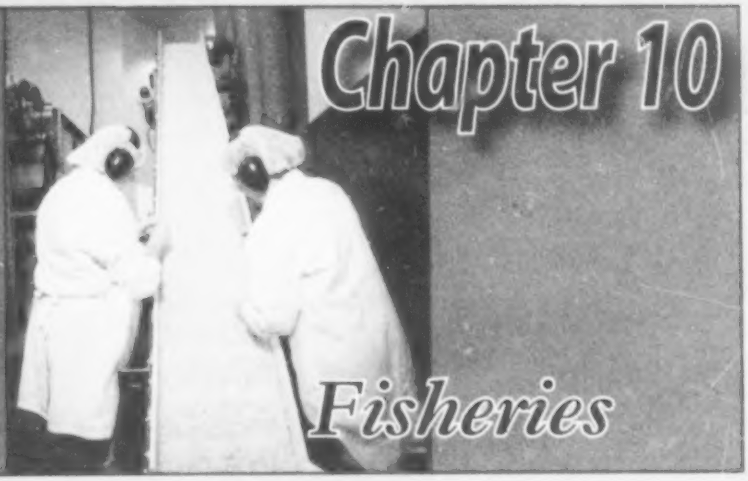
The Commission sees such economic development as another important aspect of a renewed partnership within Canada. The commitment to economic development is a fundamental principle underlying the Canadian federation. Canadians accept that principle, and the Constitution recognizes it.

"We have been on the journey for 55 years now and can say with certainty that the decision to join the Canadian Confederation has improved the standard of living for our citizens. We have benefitted by becoming part of the country that the United Nations has consistently ranked among the best in the world and we pride ourselves on being part of a country that is respected in the global community."

Excerpt from the Public Consultations

"Without a suitable improvement [in cost-shared programs], our province will continue to hemorrhage its talented artists, artisans and support personnel to other regions of Canada and beyond."

Excerpt from the Public Consultations



Chapter 10

Fisheries

The fishery, particularly the groundfish fishery, is at a crossroads, and its role in the provincial economy and in rural society is very uncertain. The fishery is at a point where it will either decline further or, more hopefully, regain its dominance through the rebuilding of the resource in a sustainable manner. Presently, the fishery is embroiled, yet again, in public and political debate about the recently announced closures in cod fisheries, specifically Northern cod and Northern Gulf cod stocks. The current frustrations are reminders of the failures of the past decade. These include:

- an expensive yet unsuccessful adjustment program
- cutbacks in fisheries science and enforcement that instill a sense that the federal government has given up on rebuilding the resource
- increased level of foreign overfishing
- shock and grief of rural communities which are being decimated by out-migration

The decline in the groundfish industry resonates throughout Newfoundland and Labrador. For over five hundred years, our society has been intimately intertwined with the ups and downs of the fishery. The current state of the fishery, therefore, strikes at the heart of "our place in Canada." It is incredible that something so central to the economic and social life of Newfoundland and Labrador is rife with political infighting, intergovernmental competition and bureaucratic mismanagement.

It is important to place the fishery of today in context, because the roots of the problems run deep. This chapter will briefly outline the history of the fishery and its importance to Newfoundland and Labrador. It will then address the issue of foreign overfishing and the management of "straddling stocks," as well as the vexing issue of fisheries management.

The Changing Fishery and its Role in Newfoundland and Labrador

The fishery in Newfoundland and Labrador has never been static. In 1901, when our total population reached 221,000, no less than 54,000 people, a staggering 72 per cent of those employed, were engaged in the fishery. By 1935, when the population had increased to 289,000, 46 per cent of the total workforce of 78,000 was directly employed in the industry. As late as the mid-1980s, despite 40 years of decline, the fisheries workforce was approximately 20 per cent of total employed persons, and represented over 50 per cent of those employed in the rural economy. In the current context, prior to the most recent closures, however, the fishery employed approximately 7.5 per cent of the provincial workforce. The value of landings due mainly to crab and shrimp has reached near record levels.

The fishery has played an important role in employment for females as well as males. While participation rates have changed over the years, females today make up slightly more than 20 per cent of the individuals

Each in his own way,
They just came. That's all.
Each in his own world of cousins,
Sisters, loves and friends,
One day at home in
Europe,
And the next
With the movement
already in his veins,
Threw down the reins of home
Said good-bye to homely paths
Left behind a native sod
Left behind a nation growing
Left behind a doubtful god
And came, perhaps to fish
for cod.

Tom Moore
Ancestors,

reporting fishing income. Women represent more than 50 per cent of those employed in the processing sector. However, the average income for women remains lower than for men.[1]

Change has also been a constant in the application of fishing technology. The most significant technological change since Confederation came as a result of the transformation to fresh-frozen production from saltfish processing. This change had major effects on employment and investment patterns; as a result, many communities were resettled in the 1950s and 1960s. Another dramatic change occurred in the 1950s with the introduction of factory-freezer trawler technology by foreign distant-water fleets. In addition, Canadians began utilizing otter-trawling technology to prosecute the offshore groundfish resources. This new harvesting technology had a dramatic negative impact on inshore (smaller coastal vessel) landings, especially by the mid-1970s. Governments at the time thought that jobs would occur elsewhere in the economy to offset the declines in the fishery. Indeed, many policy-makers saw the inshore sector of the industry as an obstacle to economic diversification.[2]

The decline and despair that pervaded the inshore fishery waned with the extension of Canadian fisheries jurisdiction in 1977. In fact, there was euphoria following the extension of jurisdiction by Canada and the phase-out of foreign fishing inside the 200-mile limit. There was a sense within the fishing industry and rural communities that Canada had achieved a solid recovery of most groundfish resources by extending jurisdiction to 200 miles. The extension of jurisdiction in itself was also seen to ensure an effective management of the fishery into the future.

In the years following the establishment of the 200-mile limit, the harvesting and processing sectors of the inshore and offshore fisheries launched a wave of investment. This expansion of the industry was largely financed through loans and subsidies from both the federal and provincial governments. As fish landings increased, a greater sense of community stability prevailed. By the early 1980s the industry was significantly overcapitalized. The overcapitalization, combined with the economic recession of the period and record-high interest rates, led to the failure of many firms in the groundfish sector. Following a deep financial crisis within the industry, governments and banks restructured most of the larger firms in 1983. Despite the financial restructuring, however, there was little or no rationalization of the harvesting or processing capacity within the industry.

Throughout most of the 1980s, the industry acted hastily and politically to harvest more and more groundfish and create more and more jobs; and it did so without any reasonable understanding of the state of the resource. In 1983, the Task Force on Atlantic Fisheries reported that "Canada's Atlantic coast fishermen should be able to catch about 370,000 tonnes more than they did in 1981… almost all of this increase will consist of cod… most of the growth will take place off northeast Newfoundland."[3] While stocks were beginning to recover following the decimation that occurred as a result of foreign fishing in prior decades, domestic fishing efforts were increasing significantly. It was not until the late 1980s that fisheries scientists began to question the true state of groundfish resources. By 1989, scientists were recommending that annual Total Allowable Catches be reduced markedly; however, political and socio-economic considerations took priority, and fishing continued at relatively high levels. During the 1980s, foreign fleets continued to ravage the stocks beyond the 200-mile limit.

The Collapse of the Fishery

By 1992, the groundfish stocks in Atlantic Canada, particularly those adjacent to Newfoundland and Labrador, were in such a depleted state that the Minister of Fisheries and Oceans declared a moratorium. Although there had been a modest level of fishing permitted for various stocks in recent years, in April 2003 the minister announced the further closure of the remaining commercial and recreational fisheries for Northern cod (2J3KL) and Northern Gulf (3Pn4RS) cod. While not nearly as large as the 1992 closures, this action will still affect an estimated 4,400 fish harvesters and plant workers, and nearly $50 million in personal income per year.[4] The collapse of these key groundfish stocks has left a lasting imprint on the province. It has bred strong mistrust of fisheries management and science, and left a lingering question about why the policies of both federal and provincial governments failed to sustain such valuable and renewable resources for the benefit of present and future generations.

Over 30,000 people and hundreds of communities were directly affected by the moratoria on cod and other species. From an economic perspective, over $600 million annually has been lost to the provincial economy from the loss of four key groundfish stocks: Northern cod, Gulf cod, Grand Banks American plaice and cod. The industry is now anchored by the shellfish sector (snow crab, shrimp and lobster) which accounts for about 80 per cent of total output and employment. Given the cyclical nature of these stocks and the over-capitalization in both harvesting and processing, there is little confidence that these fisheries are sustainable. Any significant drop in landings, especially snow crab, will cause heightened levels of uncertainty and community instability.

At the Commission's public meetings, the collapse of the fisheries became a major topic for discussion and debate. Not surprisingly, in all rural coastal areas this issue ranked as the number one concern. Many reasons for the failure were offered, including: (i) inadequate science, (ii) improved technology, (iii) too many processing licenses, (iv) too many harvesters, (v) too much reliance on the fishery as an employer of last resort, (vi) heavy reliance on the employment insurance program to sustain communities and people, (vii) too much political pressure to keep quotas high, (viii) relentless foreign overfishing, (ix) lack of action on seal populations, and (x) a general reluctance to come to grips with the reality of the declining resource because of the unthinkable result. In other words, the public recognizes – and the Commission agrees – that there is a collective responsibility for the loss of the fishery. Nevertheless, the federal government has overall responsibility for the management of the fishery. The stocks collapsed "on their watch," and therefore the federal government must take primary responsibility for rebuilding the resource.

There can be no questioning the magnitude of the stock collapse. In the most dramatic cases, Northern cod declined from approximately 265,000 tonnes annual landings in the 1980s, to its total closure this year; similarly, the northern Gulf of St. Lawrence cod stock went from 100,000 tonnes to its total closure. According to analysis undertaken for the Commission, the chief explanation for the loss of these valuable resources is " ...the failure of fisheries science and management to prevent overfishing ..."[5] While environmental change also contributed, "the real issues were that scientific understanding of the cod fisheries had been inadequate, and "signals" of change in the northern cod ecosystem were not sufficient to trigger any management action whatsoever.""[6]

A similar conclusion can be made for most of the other Canadian managed groundfish stocks. "The state of the fisheries science and its translation to management of the Newfoundland and Labrador fisheries must be judged harshly. The Federal Government of Canada, and its current Department of Fisheries and Oceans, have not been effective at conducting the necessary science and executing effective management of Newfoundland and Labrador fisheries."[7] In other words, a deadly combination of ineffective overall fisheries management, inadequate fisheries enforcement, inadequate science, foreign and domestic fishing practices, a burgeoning seal population, advances in harvesting technology, political interference and the lack of an open and transparent decision-making process – all undermined the capacity of Nature to withstand the sustained human pressures brought to bear on these stocks over several decades. As George Rose has written, the Northern cod (and by extension most of the Atlantic groundfish stocks) is "... the icon for fisheries mismanagement in the world."[8] We have lost, we trust not permanently, one of the world's great wild harvests. This was not inevitable: other major groundfish stocks in Norway, Iceland, Alaska and New Zealand have not been subject to the same mismanagement.

A Plan for Rebuilding and Sustaining the Fisheries

The single most important question regarding key groundfish stocks is the time frame for stocks to recover and the extent of that recovery. Only sound stewardship of the resource will bring the fish back. This will not be easy; it will take many years and a substantial investment of resources. However, it is essential that the turnaround begin immediately. As part of an urgent action plan, the Government of Canada must commit to a comprehensive rebuilding plan for the groundfish fishery, involving a far stronger commitment to fisheries science and a more effective approach to fisheries management. The fishing industry and the Government of Newfoundland and Labrador must also commit to this rebuilding plan, and must participate in its formation and implementation over the long term.

There is now a growing convergence about what needs to be done to rebuild the stocks. The findings of the Fisheries Resource Conservation Council, the Newfoundland and Labrador All Party Committee, the House of Commons Fisheries Committee, the research conducted by DFO Science, and the research conducted for the Commission involve a multiplicity of approaches including, but by no means limited, to the following:

- restricting directed cod fishing
- reducing the size of the seal population
- implementing a moratorium on recreational cod fisheries
- imposing a ban on trawling in cod-spawning areas and areas of juvenile cod aggregation
- placing a moratorium on the commercial capelin fishery
- increasing the level of funding for DFO scientific research, including requirements for mechanisms to improve partnering among DFO science, academics and industry
- addressing the problem of foreign overfishing by establishing a more effective fisheries management regime to protect straddling stocks and their ecosystem
- enhancing fishery enforcement programs to protect recovering fish stocks from illegal fishing
- determining the feasibility of cod stock enhancement through cod grow out and release initiatives
- designating protected areas to enhance stock recovery and the protection of ecosystems in the bays and on the Grand Banks
- establishing a Newfoundland and Labrador Fisheries Science Centre at Memorial University
- reinstating funding for science vessels within DFO

- conducting research on the environmental sustainability of various harvesting methods, with measures being taken to minimize ghost-fishing, by-catch of non-targeted species and habitat destruction

What needs to be done is clear. What has been lacking since the early signs of decline in the late 1980s is an overall, long-term plan for stock rebuilding that has the political commitment of both governments and the appropriate resources for the task. The Commission is recommending, therefore, the immediate establishment of a federal/provincial "Action Team" appointed jointly by the prime minister and the premier with a six-month mandate to recommend, in consultation with industry participants, a plan for stock rebuilding. The appointment of such an action team is imperative. It will send a clear signal that stock rebuilding is of the highest priority for leadership in the Government of Canada and the Government of Newfoundland and Labrador. The urgent time frame signals that the rebuilding plan cannot await the outcome of more lengthy discussions associated with issues such as joint management. Indeed, without a successful plan to rebuild fish stocks, there will be little to worry about in terms of who is going to manage them.

While dealing with an action plan for the rebuilding of groundfish stocks is critical, the team also would be mandated to make recommendations with respect to any actions deemed necessary to ensure the ongoing sustainability of shrimp and crab stocks. The importance of this issue cannot be overstated. Should immediate action not be taken to rebuild groundfish stocks, and should snow crab and shrimp stocks significantly decline over the coming years, it can be said without fear of contradiction that the economic base of rural Newfoundland and Labrador will collapse. The Action Team would take maximum advantage of all the available research, which is substantial and recent, to expeditiously outline a groundfish rebuilding plan and a shellfish sustainability plan.

The Action Team would also make recommendations on restoring expenditures on fish science. During the 1990s the federal government substantially reduced funding and personnel for fisheries research. This made no sense in light of the circumstances facing the fishery which in fact pointed to the need for an increased scientific effort. The rejuvenation of the fisheries science program, the restoration of funding and the need for greater utilization of research vessels should therefore be a priority issue for the Action Team.

An Approach to Foreign Overfishing and Straddling Stocks

While the northwest Atlantic fisheries have always been an international affair, foreign fishing on the continental shelf escalated dramatically after the introduction of factory-freezer technology in the 1950s. By 1974, this fishing effort led to the first major collapse of the province's groundfish fishery. This occurred under an international fisheries management regime, the International Commission for the Northwest Atlantic Fisheries (ICNAF), which failed to safeguard the sustainability of virtually every commercial fish stock in the area. Lasting from 1949 to 1977, the ICNAF regime allowed catches, particularly by fleets from Europe and the Soviet Union, to go far beyond the capacity of all key groundfish stocks, thus causing the spawning biomass of most stocks to collapse.

The 1964 decision by the Government of Canada to increase Canadian fisheries jurisdiction from three to twelve nautical miles had little impact on foreign fishing given the wide distribution of fish stocks well beyond twelve miles. The increasing provincial, national and international concern over the impact of distant-water fishing efforts on a global basis finally resulted in Canada extending its jurisdiction over fisheries to 200 nautical miles on January 1, 1977. International law of the sea negotiations led to the United Nations Convention on the Law of the Sea (UNCLOS) in 1982. The UNCLOS agreement that coastal states could extend their jurisdiction to only 200 nautical miles left out an extremely productive but vulnerable set of "straddling stocks" on one part of Canada's continental shelf known as the "Nose" and "Tail" of the Grand Banks, as well as non-straddling stocks even farther out on the Flemish Cap.

During the Law of the Sea discussions, Newfoundland and Labrador representatives urged the Government of Canada to ensure that these straddling stocks be included in any new Canadian jurisdiction. In the end, the Canadian government acceded to the international consensus on a 200-mile regime. It expressed confidence at the time that this decision would not compromise the ability of Canada to effectively manage the straddling stocks.[9] This new framework provided for a far greater measure of coastal state control within 200 nautical miles. The areas outside Canada's Exclusive Economic Zone were left to the management of ICNAF's successor, the Northwest Atlantic Fisheries Organization (NAFO), established in 1978.

Initially, Canadian fisheries jurisdiction appeared to deliver on the promise of a greater share of resource for the Canadian fishery. By the early 1980s, however, foreign fleets displaced from inside the 200-mile limit began to concentrate on fish stocks just outside the line, ultimately undermining both Canadian and NAFO regulations. Throughout the 1980s the level of European Union catches on the Nose and Tail of the Grand Banks far exceeded their NAFO allocations. For example, between 1984 and 1990, the European Union received groundfish allocations totaling 214,000 tonnes, whereas Canadian experts estimate the actual European Union catch at 911,000 tonnes.[10] This overfishing by European Union countries and other fishing fleets, whether members of NAFO or not, led to a sharp decline in stock biomass. All principal trans-boundary groundfish stocks on the Nose and Tail of the Grand Banks and the Flemish Cap were placed under moratoria by the early 1990s. There is no doubt that this foreign fishing contributed to the demise of Canadian groundfish stocks, especially cod and flatfish on the Grand Banks, as well as other major resources on which the Canadian fishing industry had depended.

Since the mid-1990s, Canada has pursued a broad approach consisting of multilateral, bilateral and unilateral measures in an attempt to bring severe foreign overfishing by European Union and other vessels under control. This included strengthening Canadian legislation (such as 1994 amendments to the Coastal Fisheries Protection Act to allow for enforcement of NAFO management measures), the highly publicized arrest of the Spanish trawler *Estai* and direct negotiations with the European Union. The federal government also took the lead in negotiating the United Nations Fisheries Agreement (UNFA) of 1995, aimed at strengthening international fisheries regimes such as NAFO to better conserve and manage straddling stocks.

Despite these measures, foreign overfishing has escalated in recent years. Canada is still unable to effectively address overfishing within the NAFO framework. Actions by NAFO member countries, such as the misreporting of catches by species and area, the use of illegal mesh gear, and the continued misapplication of the objection procedure within NAFO, have compromised the very integrity of the NAFO conservation framework. These failures have led many to demand that Canada assume "custodial management" of groundfish stocks outside of its Exclusive Economic Zone. Indeed, during the Commission's deliberations, there were repeated calls for such action. The House of Commons Standing Committee on Fisheries and Oceans also recommended unilateral action by Canada to "assume responsibility for the management and conservation of the areas of our continental shelf beyond the 200-mile limit."[11]

The Commission fully supports the Standing Committee's statement that the ultimate objective Canada must pursue is "a comprehensive, conservation-based fisheries management regime outside the 200-mile limit that is as rigorous as that inside the 200-mile limit." Furthermore, and in this context, the Commission fully understands and supports the legitimate arguments behind the demand for custodial management. They are based on the reality that NAFO has proven itself an ineffective mechanism to properly manage straddling stocks outside the 200-mile limit.

Nevertheless, it has to be recognized that immediate unilateral action by Canada to assume responsibility for areas such as the Nose and Tail of the Grand Banks and the Flemish Cap has serious legal, diplomatic and enforcement risks. Research, conducted for the Commission,[12] concludes that custodial management would be seen and resisted by foreign nations as a violation of international law, including treaty obligations voluntarily assumed by Canada under the UNFA. Furthermore, Canada would have to abandon NAFO to pursue this course of action. The Commission is concerned that Canada is not presently in a position to enforce and maintain custodial management in the face of strong resistance from foreign states. There is a real risk that the abandonment of NAFO, coupled with an inability to enforce and maintain custodial management, could lead to a "free for all" much worse than the present situation. This would not be in the best interests of the resource, Newfoundland and Labrador or Canada. While the federal government has already rejected the recommendation of the Standing Committee that it take custodial management of the continental shelf outside of 200 miles, simply rejecting custodial management as an immediate option is not good enough.

The federal government has an obligation, in consultation with the province, to immediately develop a comprehensive plan to enhance the management and conservation of straddling stocks outside 200 nautical miles, and to commit the resources necessary to achieve this objective. An immediate part of this comprehensive plan would be working to enhance the management capabilities of NAFO. This cannot and should not be viewed as maintenance of the status quo. Canada must act much more forcefully within NAFO to see if reform is possible. This would include a determined effort within NAFO for operational improvements on such issues as the inspection regime, blacklisting of offending ships and publicizing violations. More fundamental improvements, such as the enhancement of member-state enforcement and inspection, should also be pursued. Negotiations within NAFO would have to be supported by other pressures such as port closures and aggressive international public education efforts aimed at building support for reform. The federal government must also increase pressure on those NAFO members, particularly the European Union, who have not ratified UNFA to do so. Thereafter, the federal government must take maximum advantage of the dispute settlement options under UNFA to force NAFO members to comply with their obligations.

The risk is that, despite all best efforts, NAFO will remain ineffective. Canada's comprehensive strategy must, therefore, include steps to prepare for the possibility that strong unilateral action will be required should its attempts to reform NAFO fail. Canada must launch a major diplomatic effort to build international understanding and support for decisive action to protect these stocks. It must also ensure that it has the resources necessary to enforce and maintain unilateral action, such as custodial management, should such action prove necessary. The alternative – the status quo – is to stand aside and allow foreign overfishing to decimate straddling stocks with tragic results for both the resource and rural Newfoundland and Labrador. The Commission is strongly of the view that Canada must make one last effort at strengthening NAFO. At the same time, Canada must prepare itself and the international community for the reality that strong unilateral action may be necessary to conserve and protect critical straddling stocks.

Fisheries Management – A Dysfunctional Federal/Provincial Relationship

The challenge of rebuilding and sustaining the fisheries of Newfoundland and Labrador is formidable, and cannot be addressed in isolation from national and provincial policy-making. That challenge includes a collaborative vision of the role that the fishery can play in the future of our rural society. Such collaboration arises from both constitutional and common sense realities. To begin with, the provincial government has overall responsibility for shaping economic and social development; this includes its rural coastal communities. The federal government also plays an important role in economic development policy and programs. Moreover, any federal or provincial initiative is bound to fail unless it is integrated with a coordinated strategic fisheries management and development vision.

The specific regulatory responsibilities over the fishing industry are relatively straightforward, even if they are difficult to separate in reality. As with other provinces, the fisheries adjacent to Newfoundland and Labrador are under federal jurisdiction by virtue of section 91(12) "seacoast and inland fisheries" of the Constitution Act, 1867. This means that the federal minister and the Department of Fisheries and Oceans are responsible for such tasks as stock assessment and fisheries science, licensing of vessels and fishers, the allocation of stock quotas and their enforcement. The federal government is also responsible for the regulation of international and interprovincial trade, competition, product standards and international negotiations related to fisheries management outside 200 miles. The primary provincial regulatory role arises from section 92(13) "property and civil rights" of the Constitution Act, 1867. This gives the provincial government control over fish plant licensing, certain aspects of quality control and aquaculture, and more generally, labour standards, collective bargaining and occupational health and safety.

In essence then, jurisdiction and policy-making over the fisheries are fundamentally split between the two levels of government, requiring a major effort at cooperation if the overall management of the fisheries is to work.[13] Unfortunately, the fisheries relationship between the Government of Canada and the Government of Newfoundland and Labrador too often has been highly political and dysfunctional. This became especially evident following the extension of fisheries jurisdiction in 1977 when the fishery took on greater prominence in economic development. The provincial government advocated for a larger jurisdictional role during constitutional debate in the late 1970s and 1980s. It pushed for concurrent jurisdiction over fisheries management, to provide the province with primary responsibility for economic and social regulation of fisheries resources adjacent to the province. More recently, in May 2003, the House of Assembly passed a unanimous resolution calling upon the Government of Canada to begin negotiations leading to the establishment of a joint management regime through a constitutional amendment.[14]

The 1970s-1980s controversy over jurisdiction compromised any real opportunity for the development of a common policy approach to the management and development of the province's fishing industry. Cooperation became even more unlikely when federal licensing and resource allocation policy led to increased fishing capacity by vessels based in other provinces. This occurred in the waters adjacent to Newfoundland and Labrador when new resource opportunities arose after 1977, and involved, especially, Northern cod and shrimp. Without the broad support of the fishing industry at large, the provincial government failed to achieve its jurisdictional goals. Moreover, the federal resistance on the jurisdictional issue, not surprisingly, found widespread support in the Maritime provinces. In any case, federal fisheries management continues to be wrapped in an overall Atlantic-wide fisheries policy in which there is no apparent room for an articulated policy addressing the unique needs of Newfoundland and Labrador.

The lack of any direct participation by the Government of Newfoundland and Labrador in the management of its key resource has reduced the province to an advocacy role. Newfoundland and Labrador is seen as but one of many "stakeholders," and federal policy forces it into a competitive game with the Maritime provinces and Québec. This situation contributes to the provincial government's condemnation of federal measures. It is no way to run the fishery. It is no way to run a federation.

While intergovernmental conflict continues, fisheries policy is increasingly regulated and restrictive. The federal government has, for many years, adopted a policy of restricted entry into the fishery and a more structured stock-by-stock management approach in both the inshore and offshore sectors, leading to the micro-management which characterizes industry regulation today. Moreover, the overall regulatory approach is marked by excessive authority solely in the hands of the federal minister as the final decision-maker. Over the years, this has left the entire system susceptible to last minute and continuing pressure from politically connected industry factions. No other major resource industry in Canada is regulated on that basis, and fisheries should not be either.[15] The proof lies in the fact that the overall regulatory and decision-making structure failed to ensure the sustainable management of the dominant groundfish resources. In short, this policy approach failed the many thousands of individuals and their communities who had a major dependence on these stocks. This, in turn, has led to the erosion of confidence in the federal fisheries management structure.

It must also be acknowledged that the provincial government's management of the fish processing sector immediately after the extension of fisheries jurisdiction lacked the discipline that was critical to the evolution of a viable and stable fishery. Community expectations for the licensing of fish plants exceeded the supply of fish available for processing. The provincial government's processor licensing policy was also driven by resource projections that did not materialize, leading to overcapacity in the processing sector. And, as noted elsewhere in this Report, federal employment insurance policy, aided and abetted by the provincial government, contributed to overcapacity. Certainly much of the fisheries in the province is and will always be seasonal, and there is an appropriate role for employment insurance (EI) in sustaining workers through months of unemployment. But EI rules have encouraged the practice of spreading the returns of the fishery too widely, with overly short work periods, encouraging many more people to enter the sector than it can reasonably sustain.

The Commission's view is that the province's licensing policy remains too political and has led to a processing sector that is still seen as the employer of last resort. The shellfish industry today is a mirror image of the groundfish sector of the 1980s. Yet this excess capacity was licensed, for the most part, since the groundfish fishery collapse. It is clear that lessons have not been learned about the impact of processing overcapacity on the sustainability of fishing communities. If the snow crab resource declines significantly over the coming years, as it has in areas off Labrador, this overcapacity will lead to pressure to keep quotas at higher levels than can reasonably be sustained. If the resource follows the path of the cod, there will be an equally large disaster.

In summary, the roles and responsibilities of the Governments of Canada and of Newfoundland and Labrador are so intertwined that cooperation and collaboration are absolutely essential. The harvesting and processing sectors of the fishing industry should be managed as part of an integrated system. The fishery is too important to allow current fractured relationships in fisheries management to persist. The ongoing dysfunctional relationship leads to a lack of overall fisheries policy objectives. It compromises both the industry's contribution to the province's economy and the prospects for stock recovery. It also negatively affects many rural communities.

Joint Management

The Commission, therefore, endorses completely the need for a mechanism which will allow the province to have a joint role in the management of the resource and, in particular, to be a strong partner in an action plan to rebuild the fish stocks. Research for the Commission and fisheries management practice in other countries suggest that it is not so much which order of government regulates the fishery so much as *how* it is done.[16] Far too much power has been in the hands of federal and provincial ministers who determine the economic and social shape of the fishery and are often influenced by the political lobbying of fishing interests. The public interest, including proper stewardship of the resource, has not been well served. No other major resource sector in Canada is managed in such a direct and political fashion.

The Commission's view is that institutional reform should be initiated whereby a determination of the policy framework for the conservation, management and development of the Newfoundland and Labrador fisheries can be carried out jointly by the federal and provincial governments. In this regard, the Commission was influenced by the extensive research carried out on its behalf by David Vardy, Eric Dunne and George Rose.

It is no longer acceptable for the federal government to make decisions so crucial to the province without a formal mechanism for meaningful input from the people of Newfoundland and Labrador. During the course of finalizing our recommendations on the fishery, the Government of Newfoundland and Labrador introduced a resolution into the House of Assembly seeking a formal amendment to the Terms of Union and released a White Paper entitled *Joint Management of Newfoundland and Labrador Fisheries*. This resolution and paper seek amendments to the Terms of Union to provide for shared and equal constitutional authority between the federal parliament and the provincial legislature over fisheries adjacent to the shores of Newfoundland and Labrador. They also propose the negotiation and constitutional entrenchment of a new Joint Management Fisheries Board to manage fishery resources.

The Commission endorses a joint approach for fisheries management. Such an approach does not need a change in the Terms of Union and could follow a route similar to that which led to the establishment of the Canada-Newfoundland Offshore Petroleum Board. There will have to be much discussion and consultation on the details of this approach, but the following three principles should apply to any new mechanisms:

- the primary decisions regarding the annual setting of the Total Allowable Catch (TAC), the allocations of TACs and the regulation of the harvesting and processing sectors be made jointly by the federal and provincial governments
- joint mechanisms be open, transparent and include full opportunity for stakeholder consultation
- the licensing of the harvesting and processing sectors be done on an integrated basis by an arm's length regulatory body jointly appointed by the two governments

Negotiations should begin as soon as possible to establish a Joint Management Fisheries Board. In the view of the Commission, there is every opportunity for both levels of government to make joint management work. It is no longer acceptable for the provincial government not to have a meaningful say and meaningful participation in the management of its most important natural resource. One area of caution is the extent to which the setting of TACs can be incorporated into a joint management function. This is particularly so for stocks such as 3Pn4RS (Gulf cod), where fleets from all provinces have a fishing history. It would be worthwhile to keep an open mind with respect to the exact mechanism for setting TACs, so that opponents of joint management are not afforded the opportunity to dismiss the fundamentals of joint management over the details of how to handle TACs.

In dealing with the important issues of stock rebuilding, custodial management, joint management and fishery science, the Commission had an overwhelming sense that politics and political matters are the driving forces in issues dealing with the fishery. It was not lost on the Commission, as it reviewed the various structures that could be established for joint management, that this work was being done in an environment where most of the fish had already disappeared. Indeed, it was revealing that, during the final stages of the Commission's work, an independent body of experts designated Northern cod a threatened species. There was an uneasy sense that highly charged political arguments were taking place long after they could do any significant good.

The Commission wishes to put the current debate into some perspective. It is our view that if someone could wave a magic wand and put joint management, custodial management and a stock rebuilding plan in place overnight, there would still be a period of years before stocks, particularly the Northern and Gulf cod stocks, could reasonably be expected to recover. Moreover, even if restoration were to result, it would most likely be more than ten years before stocks could sustain any significant commercial harvests. In other words, there are no easy or short-term solutions. There is, however, a need for immediate action, and nothing less than a concerted and collaborative effort by all participants is required to keep focus on achieving the objectives.

Conclusions

This is the last chance for the fishery. Both governments have an obligation to ensure that this chance is not lost. The Commission is recommending a collaborative federal/provincial approach which includes:

- Immediate action to put in place a groundfish stock rebuilding plan and a plan to ensure the ongoing sustainability of the shrimp and crab stocks. This should be a stand-alone priority exercise undertaken by a joint Premier's-Prime Ministerial Action Team with an urgent six month mandate.
- Negotiations on joint management to take place as soon as possible. This process should not be complicated by demands for a change in the Constitution, including the Terms of Union.
- A comprehensive plan to enhance the management and conservation of straddling stocks outside 200 nautical miles, and to commit the resources necessary to achieve this objective. This plan would involve Canada making one last determined effort at strengthening NAFO, while at the same time preparing itself and the international community for the reality that strong unilateral action, such as custodial management, may be necessary should efforts within NAFO fail.

The mechanisms established to implement these approaches must ensure women have a voice in rebuilding and managing the resource.

Both levels of government should put their energy into getting on with the important issues rather than wasting it on political battles. Indeed, if both levels of government cannot find the political will to cooperate fully and jointly on the stock rebuilding plan, then it is inconceivable that they would be able to find the political will to deal with the longer-term complicated negotiations associated with such issues as independent and objective regimes in fisheries science, custodial management and joint management.

In summary, the groundfish fishery is essentially closed, and the shellfish sector is vulnerable. These fisheries can be rebuilt, but only with an overall long-term plan or strategy based on intergovernmental collaboration. Unless this collaboration happens, the Commission fears that fishery management in the future will only be a repeat of past approaches, and will therefore be doomed to failure.

"The Grand Banks is to Newfoundland what softwood lumber is to British Columbia, oil to Alberta, wheat is to the Prairies, potatoes to Prince Edward Island, and apples to Nova Scotia. It's about time Canada acknowledged this and take the kind of action it would take if the resources of other provinces were threatened."

Excerpt from the Public Consultations

"You've got to put the fish first. Without the fish there is no fishery."

Excerpt from the Public Consultations

Chapter 11

The Regulation of Natural Resources, Atlantic Accord and Churchill River

The equitable development of Newfoundland and Labrador's natural resources hold great promise to help move the province toward a future of enhanced prosperity and self-reliance. Whether this promise will be realized will be determined, to a certain extent, by external market forces. But, most importantly, it will depend on the federal and provincial governments' vision of the role natural resources should play in strengthening this province's place in Canada. In the view of the Commission, the federal and provincial governments have the strongest obligation to ensure that this province's natural resources are developed for the *long-term* benefit of Newfoundland and Labrador and Canada. With respect to many natural resources, the provincial government has the primary responsibility for ensuring that developments provide the maximum possible benefits to the people of this province. Other critical natural resources, however, require an essential partnership with the federal government.

This chapter focuses on offshore petroleum and the hydroelectric resources of the Churchill River, both developed and undeveloped. With respect to offshore petroleum, the vision and commitment the Commission seeks from governments already exists in the 1985 Atlantic Accord. The challenge now for the federal and provincial governments is to ensure that this commitment is realized. The Churchill River, particularly the undeveloped potential of the Lower Churchill at Gull Island, presents the federal government with an opportunity to demonstrate in a significant way that it is committed to working with Newfoundland and Labrador in improving the province's place in Canada. This chapter begins with a general discussion of the need to ensure that all of the province's natural resources are developed and managed in a way that provides the greatest possible benefits to its people.

The Regulation of Natural Resources

As discussed in Chapter 7, this province has faced some significant constitutional challenges in managing its natural resources (particular challenges facing the proper regulation of the fishery are discussed in Chapter 10). Overall, however, Newfoundland and Labrador has possessed extensive legislative powers under the Constitution of Canada to help ensure that provincial natural resources are developed and managed for the benefit of Newfoundlanders and Labradorians.

In 1982, provincial legislative powers with respect to non-renewable natural resources, forestry resources and electrical energy were strengthened by a constitutional amendment that added section 92A to the Constitution Act, 1867. Two key features of section 92A relate to provincial powers over the export of these resources and the raising of revenue. Under section 92A(2), the provinces are empowered to make laws in relation to the export of these resources to other parts of Canada, subject to the limitation that such laws cannot provide for discrimination in prices or supplies exported to another part of Canada. Before 1982, only the federal parliament could make laws in relation to the export of resources. Section 92A(4) provides the provinces with great flexibility in raising revenue from these resources. It authorizes taxation, by any mode or system, of these resources (in the case of electricity, the sites and facilities for

> 2 . The purposes of this Accord are:
>
> … (c) to recognize the right of Newfoundland and Labrador to be the principal beneficiary of the oil and gas resources off its shores, consistent with the requirement for a strong and united Canada.
>
> excerpt from
> The Atlantic Accord

generation) or their primary production. This is significant, as a tax on the production of a resource would be an indirect tax, which before this amendment was beyond the legislative power of the provinces. Furthermore, section 92A(4) makes it clear that taxation on the production from these resources is allowed even if the production is exported in whole or in part from the province. Taxation, however, cannot differentiate between production which is exported and that which is not.

During its public consultations, concerns were expressed to the Commission regarding the extent to which the province benefits, or does not benefit, from the development and management of its natural resources. Frustration was evident regarding the loss of the fishery, the lack of benefits from Churchill Falls and the unfolding loss or offset of oil royalties and taxes by reductions in equalization payments. The Commission, throughout this Report, has made recommendations regarding the management of natural resources. In Chapter 10, it made recommendations with respect to the fishery, and in this chapter it will deal specifically with the Atlantic Accord as it relates to offshore oil revenues and the development of the Lower Churchill.

Progress on these matters will help strengthen public confidence that the province's natural resources are being developed and managed in the best interests of the people. However, the provincial government must also demonstrate that it is constantly challenging itself to ensure the greatest possible returns. Periodically, it will be necessary for the provincial government to undertake a comprehensive and critical assessment of its approach to a natural resource. The provincial government's current study of electricity policy provides a valuable opportunity in this regard. In the view of the Commission, this study is critically important and should be given the utmost priority.

A key component of this review must be a careful consideration of the province's powers under the Constitution, including section 92A, to derive important and needed benefits from electricity generated from all developments on the Island and in Labrador. The benefits to be examined should include both effective access to electricity to encourage and attract new industrial developments, and reasonable taxation and royalty payments to help bolster the province's finances. The Commission appreciates that the power to legislate under the Constitution is only part of the equation. Careful consideration must also be given to costs, such as financial risks and potential impacts on the province's ability to attract future investment. Carefully conceived, such an analysis will influence not only the best actions to take on the regulation of this vital resource, but also the most advantageous timeline.

Offshore Petroleum and the Atlantic Accord

Overview

In 1985, the federal and provincial governments entered into an agreement providing for the joint management of offshore petroleum resources and the sharing of revenues. This agreement is known as the Atlantic Accord. Paragraph 2(c) of the Accord states that one of its purposes is "to recognize the right of Newfoundland and Labrador to be the *principal beneficiary* of the oil and gas resources off its shores, consistent with the requirement for a strong and united Canada."

The Commission has reviewed the outlook for future oil revenues and the overall sharing of government revenues likely to result under the current arrangements. It is clear from this review that in 2003-04 Newfoundland and Labrador will probably receive the full net benefits of provincial revenues. Under the existing arrangements, however, this favourable revenue split will continue only for the very short term. As oil revenues begin to escalate to their full potential, the net share of revenues retained by the province will decline dramatically due to the workings of both the equalization formula and the Accord. Overall, the Commission has concluded that Newfoundland and Labrador will not be the principal beneficiary of oil revenues in the coming years. As a result, the spirit and intent of the Atlantic Accord will not be realized. Projections indicate that, over the life of the existing oil projects, the province will be the net beneficiary of only 20 to 25 per cent of total government revenues.

Unlike the failure of the fishery, which is a resource disaster that has already occurred, the oil situation represents an impending but avoidable failure in the relationship between the federal and provincial governments. Urgent joint action is required. This difficult situation has arisen because development circumstances have changed substantially from those anticipated when the Atlantic Accord was negotiated almost 20 years ago. The solution lies in an amendment to the Accord ensuring that the principal-beneficiary objective is met. While there are many important issues facing Newfoundland and Labrador over the next decade, none have more potential to help it move towards prosperity and self-reliance than changes to the Atlantic Accord.

The Projected Revenue Shares

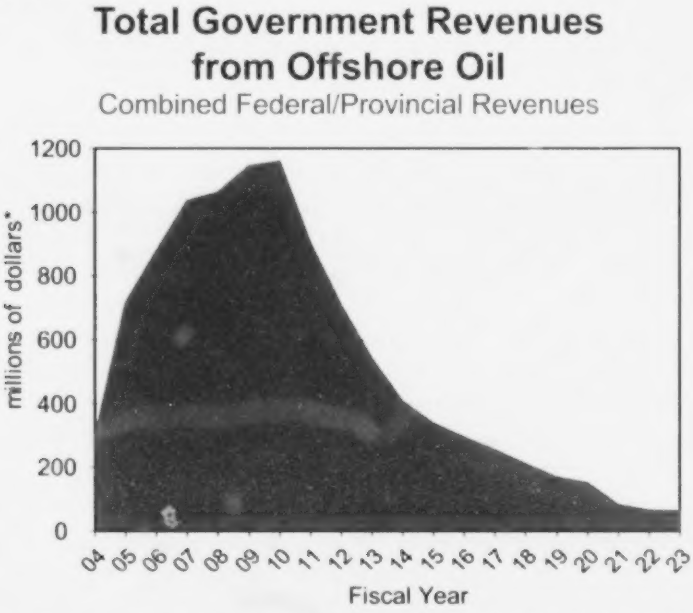
The Atlantic Accord states quite clearly that Newfoundland and Labrador should be the principal beneficiary of its offshore oil and gas resources. To meet this principal-beneficiary purpose, the Atlantic Accord allows the province to establish and collect revenues as if the petroleum resources were on provincial land. The federal and provincial governments of the time, however, recognized that the workings of the equalization program would frustrate the principal-beneficiary objective in the Atlantic Accord. Indeed, at the time, the workings of the equalization program would have resulted in a dollar-for-dollar loss of equalization payments. To address this concern, and based on assumptions as to the timing and magnitude of the resource revenues that would flow to the province, the two governments agreed to a system of equalization-offset payments.

In examining whether or not the principal-beneficiary purpose of the Atlantic Accord will be achieved, the Commission reviewed a set of multi-year projections for total government tax and royalty revenues. These were based on current expectations of production from the two operating fields, Hibernia and Terra Nova, and a third field, White Rose, currently under development. The Commission is aware that the economics of a fourth project, Hebron Ben Nevis, continues to be studied by the owners, and that areas such as the Flemish Pass and Laurentian Sub Basin hold promise for new discoveries. It is also conscious of the fact that there has not been a major discovery off the coast of Newfoundland and Labrador for more than 17 years. In the Commission's view, therefore, the most appropriate analysis is one based on the three existing developments.

The revenue forecast is based on a long-term world oil price of US $24 a barrel adjusted for inflation. These assumptions are the same as those used in Chapter 6, as are the underlying assumptions regarding the royalty regime and provincial corporate income tax. In order to assess the overall sharing of total government revenues, it is also necessary to include projections for the federal government's corporate income tax revenues. To do so, a judgement was made concerning the revenues that would actually be collected, given that federal corporate income tax payments are influenced by the overall level of profitability of the various companies and by allowances for exploration and development expenditures.[1]

Figure 11.1 illustrates the projected profile of combined government revenues from offshore oil for the next several years – the expected lifespan of the three current projects. These projections include federal corporate income tax as well as provincial corporate income tax and royalties. The combined federal/provincial revenues are projected to rise rapidly, peaking at almost $1.15 billion in 2010; they will then decline steeply.

Figure 11.1

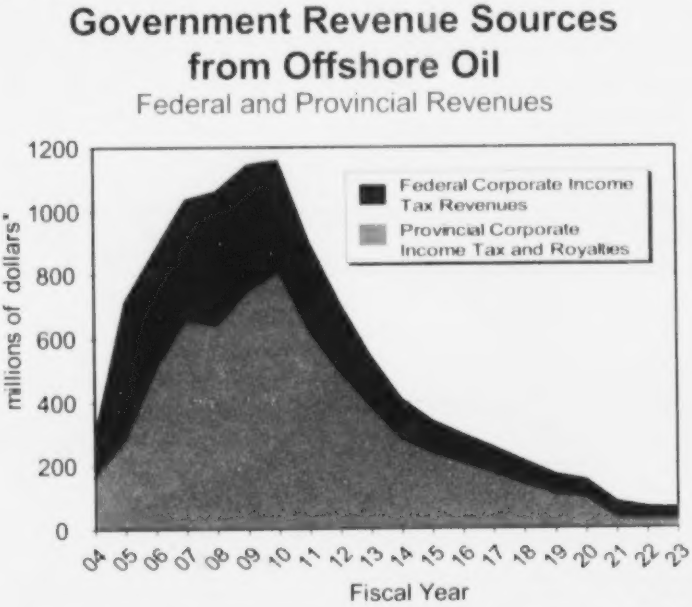


Source: Projections based on the existing projects (Hibernia, Terra Nova and White Rose). Data extracted from projections provided by the provincial Department of Finance.

***Note:** Constant dollars adjusted for inflation.

The Commission has reviewed the manner in which the overall government revenue streams might ultimately be divided between the federal and provincial governments. In this regard, the first step is to review the composition of the oil revenue stream as it is derived from federal sources and provincial sources. This is illustrated in Figure 11.2.

Figure 11.2



Source: Projections based on the existing projects (Hibernia, Terra Nova and White Rose). Data extracted from projections provided by the provincial Department of Finance.

***Note:** Constant dollars adjusted for inflation.

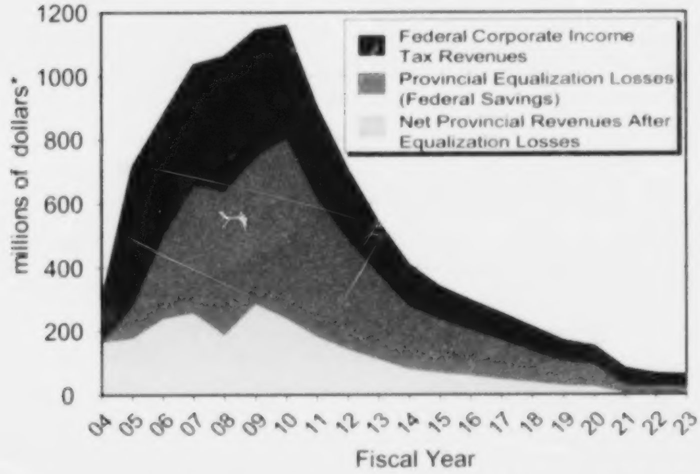
Figure 11.2 illustrates that a very significant component of the revenues will be derived from provincial corporate income tax and royalties.

The second step, and the most important analysis, relates to the assessment of the *net* share of the revenues which ultimately go to the benefit of the respective governments. The analysis, illustrated in Figure 11.3, assumes that the "generic solution" under the equalization program, which allows the province to retain 30 per cent of provincial oil revenues, will be preserved beyond 2004. In some years, such as in 2003-04, the various offset payments under the Atlantic Accord are more favourable to the province than the application of the generic solution. Until 2011, the provincial government may, in such cases, choose the formula which is most beneficial. After that, the options under the Atlantic Accord expire and the generic solution becomes the only option. Taking both the Atlantic Accord and the generic solution into account, the overall sharing of government revenues from federal and provincial sources is summarized in Figure 11.3.

Figure 11.3

Net Sharing of Government Revenues from Offshore Oil

Reflecting the Impact of Equalization and the Atlantic Accord



Source: Projections based on the existing projects (Hibernia, Terra Nova and White Rose) Data extracted from projections provided by the provincial Department of Finance.

***Note:** Constant dollars adjusted for inflation.

This figure reveals a startling revenue split, particularly when viewed in the context of the magnitude of the revenues involved and the clear intent of the Accord. The distribution of revenues between the federal and provincial governments simply does not even come close to fulfilling the intent of Newfoundland and Labrador being the principal beneficiary from offshore oil revenues.

Figure 11.3 graphically illustrates a number of points:

- The first is that the province is currently receiving provincial taxes and royalties with minimal equalization losses – due to the important but short-term protections afforded by the Atlantic Accord. At the same time, the federal government is benefitting from its federal corporate income tax.
- The second is that, although oil revenues are projected to increase significantly in coming years, the province will receive little of that incremental revenue. This is due to the fact that the proportionate level of revenue protection afforded by the Atlantic Accord declines dramatically due to the workings of the various formulas. The equalization loss becomes increasingly more significant, thereby minimizing the net gains to the province.
- The third point is that the peak revenue years from these projects are quickly approaching, and are projected to last for a very short period between 2006 and 2012. Thereafter, the revenues are expected to decline sharply, producing the "revenue bump" evident in Figures 11.1 to 11.3.
- The fourth, and most important point, is that over the life of the existing projects, the net amount of revenue that the provincial government retains will pale in significance when compared with

the combined impact of the federal government's savings from reduced equalization payments and its federal corporate income tax.

Certainly there are short-term benefits to the province from the equalization offset provisions of the Atlantic Accord. However, over the life of the current projects, the federal government's net gain, inclusive of its savings in equalization, will amount to approximately 75 to 80 per cent of all government revenues. This leaves a net benefit to the province of just 20 to 25 per cent. For example, total government revenues from the three existing projects are projected to peak in 2010 at $1.15 billion. Under the existing structure, after the impact of equalization, it is projected that the province would realize net revenue gains of only $250 million in that year. This means that the Government of Canada, after taking into account its equalization savings, would be the net beneficiary of the remaining $900 million.

It is recognized that these revenue projections, like any multi-year projections, are based on an array of assumptions. There will no doubt be a wide variety of views concerning the future trends of a number of the key variables. The Commission, however, would emphasize that the accuracy of the projections in each year is not as important as the overall trends, the relative orders of magnitude and the relationship between the net shares expected to be realized by each government. In that regard, the Commission believes the projections reasonably reflect the nature of the sharing relationship that can be expected to unfold.

Changed Circumstances

The enormous question which the Commission attempted to address is how such an inequitable sharing is possible given the clear statement of intent and purpose in the Atlantic Accord. When the Atlantic Accord was signed in 1985, there were great expectations that offshore oil would set Newfoundland and Labrador on a course of phenomenal economic growth. The period leading up to the signing was marked by impressive exploration success and high oil prices. Hibernia (1979), Terra Nova (1984) and White Rose (1984) were all discovered prior to the signing of the Atlantic Accord. There was, therefore, great optimism at the time that new oil would soon be discovered and developed, and that the revenues flowing to Newfoundland and Labrador from the Accord would place it on a rapid road to prosperity and self-reliance. Speaking in 1984, the then Minister of Energy, Mines and Resources, the Honourable Jean Chrétien, predicted that Newfoundland and Labrador might become a "have-province" within five years of first oil from Hibernia.[2]

Had those optimistic assumptions been realized, the equalization-offset payments could have protected the principal-beneficiary purpose. These assumptions clearly have not been realized. As a result, the revenue sharing arrangements and time frames reflected in the Accord will not achieve the overall purpose of making Newfoundland and Labrador the principal beneficiary. The Commission has concluded, therefore, that the Accord will not work in accordance with its original spirit and intent, and that there is every reason why it should be fixed. It confounds all logic for anyone to claim that, despite the federal government receiving a net benefit of 75 to 80 per cent of offshore revenues, Newfoundland and Labrador remains the principal beneficiary.

The Commission's conclusion is supported by a research paper prepared by the Honourable John Crosbie.[3] In this paper Mr. Crosbie states: "Clearly Newfoundland [and Labrador] is not the primary or principal beneficiary of the offshore resources, nor of offshore revenues, but a minor beneficiary when compared to the federal government. The importance of this is that, unless the Atlantic Accord is honoured and implemented as to its original intent, Newfoundland [and Labrador] is unlikely ever to become a self-sufficient province within the Canadian federation." The Commission's concerns are also shared by the *Report of the Standing Senate Committee on National Finance, 2002*, which recommended that: "The [federal] government should undertake an evaluation of the equalization provisions of the Atlantic Accords to determine if they have met the intent for which they were designed."[4]

The position of the federal government, as expressed by the federal minister of Intergovernmental Affairs, is that the Government of Canada is fully respecting both the letter and intent of the Atlantic Accord, and that Newfoundland and Labrador will be the principal beneficiary of petroleum development off its shores. The federal government further claims that, as a result of the introduction of the generic solution to the equalization program in 1994, this province has received, and will continue to receive, "significantly greater benefits" than those envisaged at the time the Atlantic Accord was signed.[5] The projections discussed in this Report, of course, take into account the Atlantic Accord as well as the generic solution. The Commission concludes that an 80-20 or 75-25 revenue split in favour of the federal government is totally inconsistent with Newfoundland and Labrador being the principal beneficiary of its offshore oil revenue.

Need for Revised Accord

The Commission is aware that the issues surrounding the Atlantic Accord are complicated. Indeed, it has a sense that there is not a complete understanding within the province of the significant challenge confronting the province in terms of future revenue losses. In many ways, the issues surrounding the Atlantic Accord resemble the Churchill Falls situation. In both cases agreements were made based on assumptions that did not materialize. In both cases unfolding, yet unforeseen, circumstances worked to the significant disadvantage of Newfoundland and Labrador and its place in Canada. Figure 11.3, therefore, depicts a situation which is totally unacceptable in a federation where fairness and equity should prevail.

Revenue-related amendments to the Atlantic Accord should reflect two basic principles. First, a far greater share of the provincial revenue from the offshore should be retained by this province to reflect the principal-beneficiary objective. This objective is not met by the generic solution or by the present provisions of the Atlantic Accord. Second, the province should continue to receive a proportionately greater net share of provincial oil revenues as long as it remains below the Canadian average for agreed-upon fiscal and economic measures. The Commission is recommending that the federal and provincial governments enter into immediate discussions to revise the Atlantic Accord to ensure that the principal-beneficiary objective is both honoured and achieved.

The Churchill River

Overview

Newfoundland and Labrador brought into Canada the tremendous hydroelectric potential of the Churchill River in Labrador. In the early 1970s, the Churchill Falls site was developed, yielding 5225 megawatts of power. Two significant hydroelectric sites remain undeveloped on the Lower Churchill River, at Gull Island and Muskrat Falls.

The inequitable outcome of the Churchill Falls development, together with successive failures to develop the other sites on the Churchill River, has profoundly affected Newfoundlanders' and Labradorians' perceptions of their place in Canada.[6] Despite the passing of more than 30 years since power was first generated, the outcome of the Churchill Falls development covers Newfoundland and Labrador's place in Canada with a long dark shadow.

Churchill Falls

The term of the Churchill Falls contract was initially 40 years, and debt financing was arranged successfully on that basis. After the financing was in place, however, there was an eleventh-hour demand by Hydro-Québec that extended the term of the contract to an unbelievable 65 years, with lower power rates granted to Hydro-Québec for that final 25-year period. While the power contract arrangements were finalized in 1969, the effective date of the contract was July 1, 1976. Between the time the contract was signed and its effective date, the world went through an unprecedented energy shock, with an unexpected increase in energy prices caused by the oil crisis in the Middle East. As a result of this international energy crisis, the value of energy from Churchill Falls underwent a windfall increase estimated to be in the order of $850 million a year.

The world events leading to this increase were not foreseen by the parties to the Churchill Falls contract (CF(L)Co. and Hydro-Québec) or by the owner of the resource (Newfoundland and Labrador). Hence, they were not provided for in the power contract and related arrangements. As a result, the huge annual windfall profits go almost entirely to Hydro-Québec. Hydro-Québec has benefitted from these annual profits for the last 27 years, and will continue to do so for the next 38 years, until 2041.

In its deliberations, the Commission heard the view, though much in minority, that Newfoundland and Labrador should put the Churchill Falls matter in the past. In a poll conducted for the Commission, however, 74 per cent of respondents refused to support this view.[7] At the same time, it is the opinion of the Commission that the people of this province should be prepared to move forward in realizing the potential of the Gull Island site to help deal with its growing fiscal predicament and the building of a stronger economy, particularly in Labrador. That said, the development of Gull Island should proceed in an environmentally responsible manner and in a way that is respectful of Aboriginal rights and interests.

The federal government placed Hydro-Québec in a monopolistic position during the Churchill Falls negotiations of the 1960s by not enacting legislation that would have allowed for a power corridor through Québec. Without such federal legislation, negotiations on the Churchill Falls project took place in a situation in which virtually all of the power and energy had to be sold to Hydro-Québec. Consequently, it was in a position to dictate a low price, an insignificant recall of power for use in Newfoundland and Labrador and an unprecedented time frame (65 years) governing the power contract. The inaction of the federal government in the matter of allowing a power corridor through Québec was, and still remains, contentious, especially in view of the fact that the federal parliament has passed legislation to allow the construction of oil and gas pipelines across other provincial boundaries.

The federal government also played a direct role in facilitating the conclusion of the Churchill Falls deal. This was done through amendments to the Public Utilities Income Tax Transfer Act that effectively allowed the developer, CF(L)Co., to lower its sale price for Churchill Falls power, as had been demanded by Hydro-Québec. The federal government helped make the project viable and, therefore, was an essential partner in seeing the development proceed.

The inequities of Churchill Falls have been argued with great passion for more than three decades. Some argue that it was flawed national energy policy and the lack of a power corridor through Québec that denied Newfoundland and Labrador any opportunity to export its energy and capture the economic rent. Others call the deal a home-grown disaster, the fault of Premier Smallwood who championed the project and never asked for a power corridor nor insisted on a re-opener clause. Others argue that it is a simple case of "a contract is a contract." Still others argue that the unintended outcome of the contract was so radically different from that envisaged at the time that simple decency demands its renegotiation.

In the view of the Commission, Churchill Falls is fundamentally about whether or not fairness and equity exist in the Canadian family. It is about the Government of Canada standing on the sidelines as an observer of a situation where, due to unforeseen circumstances, Québec currently reaps a windfall profit of approximately $850 million a year from a hydroelectric resource located in, and owned by, Newfoundland and Labrador. The first question asked by Newfoundlanders and Labradorians was: "If the situation had been reversed in the late 1960s, would not the Government of Canada have intervened in the national interest and allowed a power corridor through Newfoundland and Labrador for the export of Québec power?" The second question asked was: "Why, in the absence of the power corridor, has the federal government refused to facilitate a reasonable sharing of the windfall profits between the two provinces?" One can only imagine the favourable impact on the fiscal position of Newfoundland and Labrador had it shared in even 50 per cent of the Churchill Falls windfall profits since 1976. It would have already meant additional annual revenues in the order of $425 million for 27 years, or an additional $11 billion over that period with potential revenues of equally significant amounts until 2041.

Lower Churchill Development

The Churchill Falls dispute has been an ongoing obstacle to the development of hydroelectric potential on the Lower Churchill at Gull Island (2000 megawatts) and Muskrat Falls (800 megawatts). These two hydroelectric sites have remained undeveloped for the last three decades because Newfoundland and Labrador and Canada have failed to join forces to harness their potential for the good of all Canadians.

Nowhere is a new way of thinking and doing things required more than in the approach to the development of the Lower Churchill River. The provincial government needs revenues, the province needs energy for industrial purposes, Québec needs power and energy, as does Ontario, and Canada needs energy production which will attract Kyoto credits. Nevertheless, the potential of the Lower Churchill River remains undeveloped even though Gull Island is one of the lowest cost hydroelectric developments remaining in North America.

The early development of the $4 billion Gull Island project would involve Newfoundland and Labrador accessing sufficient power for industrial use in Labrador, Québec purchasing power and energy for its own use, Québec wheeling power to customers in Ontario and the northeastern United States, and Canada coming to the table as a financial partner to ensure that Newfoundland and Labrador is able to earn an appropriate return as owner of the resource. The Commission strongly feels that equitable development on the Lower Churchill is long overdue. It presents a genuinely profound opportunity for the province and the federal government to demonstrate that they are committed to a renewal in their relationship.

In the fall of 2002, Newfoundland and Labrador and Québec were nearing the end of negotiations to develop the Gull Island project. While no deal was concluded, and little detailed information on the negotiations was provided, there were many concerns expressed by the public. In particular, one of the main concerns related to possible financing was that Hydro-Québec would be the financial backer of the project. The concern, at its most fundamental level, was that if Hydro-Québec would be both the major purchaser of power and the major lender for the project, Newfoundland and Labrador therefore would be negotiating from a position of significant weakness. Such a potential imbalance in negotiating power was offensive to many Newfoundlanders and Labradorians, particularly given the history and outcomes of the Churchill Falls development. In the view of the Commission, proceeding in this manner in the future would be a recipe for failure.

This situation can be overcome if the Government of Canada agrees to become a significant financial backer to the Gull Island project. This will allow contractual arrangements to be put in place so that Newfoundland and Labrador will earn appropriate returns as the owner of the resource. Without Canada's involvement, there will be only two practical choices for the province: (i) develop the Lower Churchill on Québec's terms, or (ii) let the water flow to the sea. It is time for Canada to come to the Lower Churchill table as a partner. Such a constructive role would demonstrate that the federal government takes seriously its constitutional commitment, as stated in section 36(1)(b) of the Constitution Act, 1982, to "furthering economic development to reduce disparity in opportunities."

In the view of the Commission, issues related to the Churchill Falls development should not be directly linked with negotiations to develop the Gull Island site. However, in moving forward with the Gull Island development, the provincial government must ensure that it takes no action that could prejudice its future ability to regulate the Churchill Falls resource more effectively for the benefit of the people of Newfoundland and Labrador.

Conclusions

In summary, the Commission is calling upon both the federal and provincial governments to work to ensure that this province's natural resources are developed for the long-term benefit of both Newfoundland and Labrador and Canada. In particular, the Commission recommends that:

- The provincial government works constantly to ensure the greatest possible returns from resource development. The province's current review of electricity policy provides a valuable opportunity in this regard. A key component of this review must be a careful consideration of the province's powers under the Constitution, including section 92A, to derive important and needed benefits from electricity generated from all developments on the Island and in Labrador.
- The federal and provincial governments enter into immediate discussions to revise the Atlantic Accord to ensure that the spirit and intent of the Accord – that Newfoundland and Labrador be the principal beneficiary – are honoured. The province must capture significantly greater net benefits than the present forecast of 20-25 cents on each dollar of government revenue generated from offshore oil.
- A new approach to the Churchill River be adopted that looks to the future rather than the past. The provincial government, in partnership with Québec and the federal government, should pursue an early and equitable development of the Lower Churchill at the Gull Island site. The role of the Government of Canada, as a financial backer to the project, would be entirely consistent with its constitutional commitment, as stated in section 36(1)(b) of the Constitution Act, 1982, to "furthering economic development to reduce disparity in opportunities."

"We would be foolish if we thought anyone but ourselves can chart the future for us… the new way of thinking about Newfoundland must start here at home."

Excerpt from the Public Consultations

"It was a sad day when I packed my bags and left my home to look for something that should have been in my province in the first place – a future."

Excerpt from the Public Consultations

Chapter 12

Strategic Location and Infrastructure

The Commission's mandate included an examination of the means by which Newfoundland and Labrador can take maximum advantage of its strategic location between the North American and European trading blocks, and the challenges and opportunities of the global economy. This examination reveals that the province's strategic importance has changed significantly over its history, and is changing once again in the early twenty-first century. This chapter provides a brief overview of changing strategic realities, and then turns to an assessment of the strengths and challenges of our location, dealing in turn with the resource economy, human resources and education, location as such, transportation, and communications and information technology.

Old and New Geographic and Strategic Realities

Newfoundland and Labrador occupies the far northeast corner of North America. It faces three ocean environments: the Labrador sea, the Gulf of St. Lawrence and the northwest Atlantic Ocean. It flanks the northeast approaches to the continent and is the closest landmass in North America to Europe. The province is remote from any major population centre, and its subarctic climate imposes limits on some economic activities. Still, the land and sea provide access to impressive natural resources. Newfoundland and Labrador's ability to sustain a society and to develop its resources has historically depended on broader geopolitical and strategic factors. Gwynne Dyer asserts that " ... geopolitical importance comes in three major forms: military, economic and national/political..." and influences to whom Newfoundland and Labrador is important, and at what time.[1]

In the era before European contact, the Aboriginal peoples subsisted on the wild game and fish of the interior and coastline; they relied upon the forests for shelter and warmth, and traded with other Aboriginal nations in eastern North America. For at least two centuries after Europeans discovered this place, their ventures in fisheries and whaling were of considerable significance to Europe. The English, French, Portuguese and Spanish exploited the Banks cod fishery from the late 1400s, and the Basques maintained a whaling station at Red Bay for many decades in the sixteenth century.

By the mid-eighteenth century, European settlement was well established, as farming, logging and mining began to supplement the fisheries. However, by then Newfoundland's economic significance had declined, eclipsed by the westward expansion of settlement and development of the North American continent. The society and economy continued to grow nonetheless. By the early twentieth century, the industrial revolution transformed the economy, introducing mechanization to the fishery, allowing development of hydroelectric resources, increasing the scale and scope of mining and turning timber into paper. As population shifted, the railway opened the interior of the Island, people resided as much in towns as they did in the fishing outports. Still, until well into the twentieth century, the chief economic advantage of Newfoundland and Labrador remained its position next to one of the world's most productive fisheries ecosystems.

> "The assets...may change over time, but at the moment they consist of very significant natural resources...a rapidly growing reputation as a centre of artistic, cultural and intellectual creativity; a geographical location which briefly had military importance, [and] continues to be important in terms of the country's vision of itself....and a collective place for Newfoundlanders in the Canadian national consciousness which, while impossible to quantify, is a major asset in itself."
>
> Gwynne Dyer

Newfoundland and Labrador's military value, for much of its history, was tied integrally to its economic value. Newfoundland became England's first colony in 1583. Until 1763, the British and French empires militarily contested control over this asset. Throughout that period and well into the twentieth century, Britain remained Newfoundland's most important trading and financial partner. As Newfoundland became more settled, it sought to pursue competitive and beneficial economic relations both inside and outside the Empire, and traded as much as it could with the French, Americans, other British colonies, Caribbean islands and the Mediterranean. In fact, the government sought formal trade reciprocity with the United States during the 1890s and in 1905, but that goal was blocked by Britain and Canada.

The geopolitical contest between Britain and France continued here long after the peace Treaty of Paris in 1763. The French retained the islands of St. Pierre and Miquelon, as well as rights to the fishery, including exclusive exploitation of Newfoundland's west coast fishery. These "French Shore rights" continued until 1904. The maritime boundary between Canada and France around St. Pierre and Miquelon was only settled by arbitration in 1992. This small French territory continues to be a valued neighbour and trading partner. Today joint initiatives are underway between St. Pierre and Miquelon and the Burin Peninsula economic development authorities, especially in tourism. Since 1991, St. Pierre and Miquelon has been eligible for duty-free trade within the European Union; thus, interest has grown in the prospects of further processing of products in St. Pierre and Miquelon for duty-free shipment to Europe, and for transhipment of goods in St. Pierre and Miquelon originating in Canada.[2]

By the early 1940s, military considerations overtook economics as the more significant strategic factor of our location. Steamship technology made Newfoundland an important port-of-call in transatlantic shipping, and for the protection of those shipping lanes. During World War I, when Britain depended crucially on imported food and industrial raw materials from North America, shipping became vital. By the time of the Second World War, transatlantic air travel had also become militarily important. Thus, in the 1940s, both naval and air bases here bridged the gap between North America and Britain. Newfoundland played a vital part in the March 1941 Leased Bases Agreement between the United States and Britain by providing access to ports and strategic locations for airfields. Thousands of American, Canadian and British forces were stationed here. New communities grew up around the air bases at Gander, Goose Bay and Stephenville and at the naval base in Argentia. St. John's was also transformed by the military build-up and became especially important as a base for cross-Atlantic convoys.

Newfoundland and Labrador's military importance continued long after the Second World War. In the 1950s, Goose Bay became a base for the NORAD strategic air command, with fighter aircraft to intercept potential air threats from the Soviet Union and its allies. The province's air bases retained an important role until technology made cross-Atlantic stopovers on the way to the continental United States less vital. Labrador played an important role as the eastern flank of the various defence surveillance networks across the north during the Cold War. Today, while Canada's NATO allies maintain an air force training facility at Goose Bay, the overall military presence here is minimal and our strategic military significance has been reduced.

Confederation with Canada again transformed the strategic factors. By 1946, the stage had been set for Newfoundland to lose the last vestiges of its British colonial ties. As Gwynne Dyer argues, Newfoundland and Labrador was to become of far more political importance to Canada than it ever was to Britain.[3] In strategic terms, the union "completed" Canada by bringing into the federation the last of the British North American colonies that had refused to join the American revolution. It prevented the northeastern flank of Canada from falling into American hands, and in psychological terms, kept Canadians from feeling hemmed in by the United States.

Some of the province's economic assets were also important to Canada in 1949, particularly the iron ore and the hydroelectric potential in Labrador. The greatest long-term geopolitical advantage for Canada, however, has turned out to be in the offshore. As Gwynne Dyer notes:

> When your fishing and seabed mineral rights suddenly jump from three miles offshore to two hundred miles, the province with the longest seacoast – Newfoundland and Labrador accounts for over a third of the total Canadian coast that is ice-free for at least six months of the year – is bound to jump in strategic importance too ... For the foreseeable future, however, it is the [offshore] oil that gives Newfoundland and Labrador a new relevance and importance in Canada's national economic strategy.[4]

Confederation with Canada also hastened the continental integration of the province's economy. This occurred in two steps: first, through economic, social and political integration with Canada, and second, through economic and, to a degree, social and cultural integration with the United States. Canada formalized and deepened its integration through the Canada-United States Free Trade Agreement of 1989 and the North American Free Trade Agreement of 1994. The provincial government strongly supported free trade with the United States in the 1980s and 1990s. Research indicates that the Free Trade initiatives have had three major effects for this province's long-term strategic interests. First, it reinforced already important links with United States investors, especially important for the offshore oil sector. Second, it has led to growth in exports to the United States, although at a lower growth rate than the increase in exports to the United States from Ontario, Québec or the western provinces. Third, by eliminating tariffs and other discriminatory barriers, it has helped to counterbalance some of the disadvantages of being in the Canadian economic union.[5] What has been relatively neglected in the stronger continental trade relations has been the traditional North Atlantic trade patterns of Newfoundland and Labrador, especially for fish products – i.e., in Spain and Portugal, Brazil and the Caribbean. As David Alexander has demonstrated,[6] after Confederation the Government of Canada was unable or unwilling to promote the kind of linkages required to sustain strong export markets outside the United States.

Now the strategic factors are shifting again. In the new global economy, firms can access capital and technology from all over the world, develop products and manufacture them in a number of different countries, and distribute and market them globally. The computer and telecommunications revolution that accompanies globalization means that all business today must be, at least to some degree, electronic. Another feature, if less pronounced, is a more competitive and lower cost transportation system. This new global geometry is "dissolving historic economic geography."[7] Markets are everywhere, product is found everywhere, and communication between markets and manufacturers is instantaneous. A final but vital factor in globalization, especially for the developed industrial world, is that human capital is becoming the most important strategic asset. This is especially so in the "new economy" of communications, information and e-business. It also means that few developed economies can compete on the basis of labour costs alone, and that all natural resources – with a few strategic exceptions – are in plentiful supply. This leaves human "capital," determined by the education and skill of the workforce, as the key competitive factor.

This changing strategic context has profound implications for Newfoundland and Labrador. First, the changes in transportation and communications technology are removing the "tyranny of distance" that has made this place seem to many to be remote and isolated. Second, the province's export markets are already diversified beyond North America – in 2001 the province conducted over one-third of its international trade with Europe and the Far East.[8] We have begun to increase investment and tourism linkages with North Atlantic neighbours such as Iceland and Ireland. Europe does seem closer now, and opportunities will continue to arise exploiting the province's position as "a mid-Atlantic island" bridging the four main time zones of North America and the three of Europe.[9] Finally, unlike some of the other factors that in the past were largely determined elsewhere, the increasing importance of human capital is something that can be primarily shaped by the province, at home.

In sum, the world is creating opportunities based on new geographic and strategic realities. Can the province forge a new set of strategic alliances that will enable it to take better advantage of its geographic position in this changing environment? Are there things it can do to improve the province's strategic importance in going forward? The answers lie in a frank assessment of the strengths and challenges of our current position.

Strengths and Challenges

It is the assessment of the Commission that the strengths of Newfoundland and Labrador still lie, quite simply, in its people and in its natural resources. The fundamental challenges reside in the province's location and in the dispersal of its small population over a large geographical area. But neither obstacle is insurmountable.

Resource Economy

Newfoundland and Labrador will be a resource-dominated economy for some time to come. Yet natural resource developments alone, as crucial as they are, will not solve all of this province's fiscal and economic problems. Natural resource development involves the use of the resource, capital investment and labour. Especially for large-scale projects, capital typically comes from sources outside the province, while the benefits for Newfoundlanders and Labradorians come from employment and resource revenues collected by the provincial government. More and more, with technological improvements, capital is replacing workers; we see it in the reduced employment in existing forestry, mining and resource-related manufacturing. New resource developments will create welcome direct employment, but, once these are in operation, it is probable that the number of such jobs will decline over time. Mining and offshore oil developments are capital intensive, and once built, hydroelectric sites require relatively few workers. Even in a recovered fishery, an efficient industry means better utilized capital and likely far fewer fishers and plant workers than in the 1980s.

Where feasible and commercially viable, further processing of resources can be enormously beneficial to the communities where these facilities are located. Yet it is overly optimistic to expect that processing of resources can provide enough opportunities for all of the communities in need of employment. An important objective for resource development, therefore, should be to obtain reasonable revenues. Those revenues – especially where substantial – are of critical importance in any plan to address the province's fiscal position, to support social programs, to provide a tax regime more conducive to entrepreneurship and private investment and to maintain and improve infrastructure.

This Report focuses on recapturing the opportunities of three sets of natural resources: fisheries, offshore petroleum and hydroelectricity. This is not done because these are the province's only sources of resource wealth, or that resources are the only road to wealth creation. Far from it. But they do represent the most significant single set of economic opportunities that have the potential to impact on the province's prosperity and self-reliance. There are other natural resources that should be noted here, in particular, mineral and forest resources. The Voisey's Bay nickel deposit is just beginning a new chapter in the province's economic history. The forest sector also continues to be important, but faces important resource constraints in terms of a sustainable wood supply.

The well-being of the people of the province is especially dependent on the health of the natural environment. The sense of who we are and its expression in our art, music and culture are linked in unique ways to this place with its oceans, rivers, rocks, land, forests, barrens, wildlife, fish and air. Most of the province's industries, even our tourism and cultural industries, rise from its environment – fishing, forestry, agriculture, mining, hydroelectricity, gas and oil. The world is coming to the province's door to experience our wild, open spaces. This kind of tourism will contribute to self-reliance and prosperity as long as the people are careful not to diminish the very environment they seek to exploit. Hence, whatever the approach to a renewed and strengthened place in Canada, it must be based on sound environmental principles: protection of human health, sustainable economic development, pollution prevention and community-based environmental management. The people of this province paid – and are still paying – a massive price for the inability to establish those values in the fishery, and must recognize that, as the stewards of a unique and precious environment, we must preserve it.

Human Resources and Education

The province's human resources are part of this sustainable environment. The people of the province are, in human ecology terms, an element of biodiversity. We have become a society with its own material culture based on a relationship to the land and sea, while drawing on a heritage marvellously mixed: Aboriginal peoples, west-country English, Scots, Irish, French and recent immigrants from all over the world. What has emerged within a broader and multicultural Canadian society is a vibrant and recognizable Newfoundland and Labrador culture.

Despite the decline of many rural communities and their attendant social and cultural traditions, in recent years there has emerged in the province an exciting cultural industry in art, music, literature, theatre, film and media. This flowering of culture in the cities, towns and rural communities is exerting an influence on the country disproportionate to the size of the province's population. Although this is not the only reason for the development of our culture, the potential is there for international export of many products with the expression of our culture. The people's natural creativity is truly worthy of cultivation and promotion.

The emergence of an entrepreneurial spirit is another relatively recent trend, which has enabled the province to turn to small business to create jobs and improve incomes. Goods and services once supplied by large organizations are more and more being offered by smaller suppliers at lower cost and with greater efficiency. The transfer of ownership, risk and decision-making to smaller entrepreneurs brings a new vitality to local and provincial businesses. It is worth noting that an entrepreneurial spirit is part of the heritage of this province and was reflected in the many locally owned businesses which existed prior to 1949, but gradually disappeared as we entered the Canadian economy.

The P. J. Gardiner Institute for Enterprise and Entrepreneurship at Memorial University of Newfoundland, in its survey of small business in the province,[10] found that examples of business success exist today across the economic spectrum – from manufacturing and resource sectors, to a wide variety of business and personal services. These businesses have a strong orientation to export markets based on the quality and uniqueness of their products and services. The survey also found that the most important business assets were human qualities: employee expertise, dedication and a positive work ethic.

The emergence of small business is not by accident or merely the result of larger forces in the North American and global economies. The ability of local entrepreneurs to take advantage of commercial trends has not been taken for granted, certainly not by provincial and federal agencies and by business associations and educators who have worked hard to promote small business development over the past 20-30 years. The success of these enterprises comes at a vital time. They can make an important contribution to employment and income growth in the province. The entrepreneurial spirit is becoming a part of the people's sense of place.

Small business draws on another key strength – an educated workforce. While in some respects educational achievement in this province has lagged behind other parts of Canada, the gap has been closing.[11] However, as the submission by the Newfoundland and Labrador Teachers' Association states: "Clearly, in a province where unemployment levels remain high and where job opportunities, while improving, still do not reach countrywide norms, education is paramount."[12] Through public meetings and schools visits, the Commission was encouraged by the importance youth attach to education. There is a growing appreciation that, with higher levels of education, come greater employment opportunities and income levels. While perhaps not a sufficient ingredient for prosperity and self-reliance, this change of attitude is certainly a necessary one. Research into other sustainable North Atlantic societies such as Iceland and Ireland indicates that literacy and higher education are vital for the achievement of economic and social change.[13] Table 12.1 summarizes key facts relating to educational levels and employment rates in Newfoundland and Labrador.

Table 12.1

Relationship Between Education and Employment
Newfoundland and Labrador (2002)

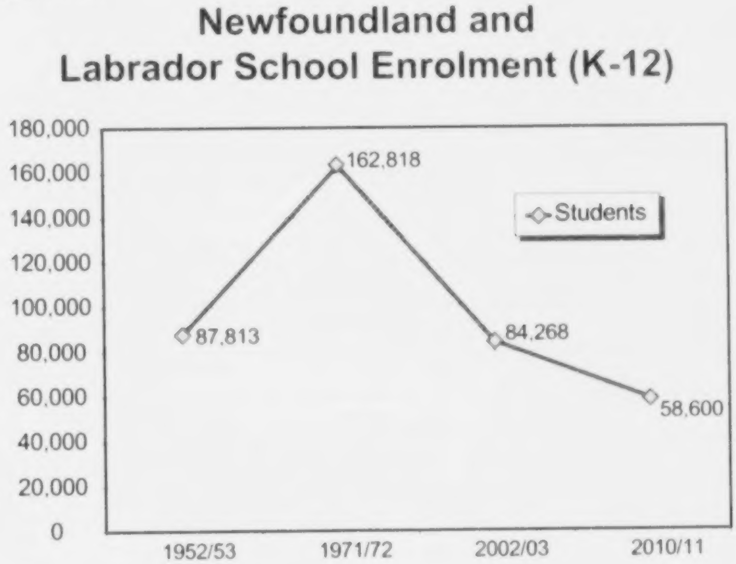
Level of Schooling	**Employment Rates**	
	Male	Female
Some High School	36.8%	26.3%
High School Graduate	57.3%	45.7%
Post-Secondary Certificate	66.5%	63.4%
University Degree	79.4%	73.5%

Source: Economics and Statistics Branch, Department of Finance

Men and women with higher levels of education also tend to earn substantially higher incomes. In 2000, the average income for males with less than high school was $19,600, but increased to $35,000 with a trades certificate and to $52,900 with a university degree. Average incomes for women were considerably lower: for those with less than high school they were $10,800, with a trades certificate $22,700, and a university degree $32,200.

Providing a world-class school system in Newfoundland and Labrador is no easy task. Geography and demographics present enormous challenges. The land mass of the province is great, but its population is small and dispersed across some 650 communities. As a result, the provision of education is very expensive, especially in remote rural areas. Almost 66 per cent of schools are rural; yet they serve only 45 per cent of the population, and almost 25 per cent of schools have fewer than 100 students. Out-migration and a declining and aging population are having a profound impact on the province's education system. Figure 12.1 shows the startling drop in K-12 school enrolments, which has declined from a peak of 162,818 in 1971 to approximately 84,268 in 2002-03, and is projected to further decline over the next decade to 58,600. These declines create challenges for accessibility, quality and affordability – particularly in rural settings and for particular academic programs.

Figure 12.1



Source: Department of Education Statistics.

Individual commitment to education is not enough. As a society, we must fully appreciate the value of this resource for our future. Throughout its public meetings, the Commission heard that not only must the province have a world-class and responsive education system, but it also must have an affordable system. Too many young people leave this province because their student debt levels leave them with no other choice. While every person must be encouraged to pursue their full potential, every possible opportunity for that potential to be realized in Newfoundland and Labrador must be provided. Students told the Commission that, while much more still needs to be done, they were generally encouraged by recent initiatives by the provincial government to make education more accessible and affordable. However, there is almost universal dissatisfaction with the federal government's efforts in this area.

The Commission believes that, for Newfoundland and Labrador to attain greater prosperity and self-reliance, it must increase its investment in education. Under present fiscal circumstances, it is difficult to see how this can be done. The provincial government already spends approximately 20 per cent of its budget on education. A greater commitment from the federal government is required and should be viewed as an investment that will yield long-lasting benefits for both the country and the province.

Human resources are especially important in the "new economy" of the tele-computational revolution.[14] This component of the economy offers real potential for the province. The new technology is being applied in our traditional and emerging wealth-creating sectors: fisheries, mining, forest products, offshore oil and gas. The public sector, notably health and education, has been transformed by the new technologies, improving cost efficiency and quality of service. The tourism sector has also been enhanced by the Internet. The information technology sector has burgeoned: the province now has approximately 400 firms creating nearly 4,000 jobs, over half of which are in St. John's.

Memorial University of Newfoundland and the College of the North Atlantic are leaders in the province in the application and dissemination of technology, and they also export educational services abroad. Universities are seen as especially important contributors to the growth of the knowledge-based economy. This role depends on a number of factors, including the experience and capacity of the university to collaborate with the private sector, the receptivity of local firms to technology-transfer opportunities, and the sensitivity of federal research funding programs to circumstances in this province. Memorial University of Newfoundland, while strongly committed in its mandate to research and to share the results with the broader community, could improve this function through faculty incentives geared to achieving local collaboration and by the establishment of a research centre to study the knowledge economy.[15] The university sector across Canada receives its major research funding from the federal government as well as from private sources. Memorial University of Newfoundland has not been given its relative share of that funding, and has fallen even further behind, perhaps because these programs have been designed to reinforce the strategic strengths and longer track records of research-intensive universities in Ontario, Québec and other provinces. By adopting allocation measures for research funding more sensitive to the particular strengths and mandates of universities, the federal government can ensure the optimal use of research funding and its contribution to research, development and innovation in the Newfoundland and Labrador economy.

Location

The strategic value of Newfoundland was shaped by its location. It was close to very productive fishing grounds and, in military terms, guarded the northeast flank of the continent and provided a bridge between North America and Europe. Neither of these strategic factors was of such importance to merit major wealth or influence, but they did sustain centuries of settlement. As strategically significant factors, both have disappeared. As our economy and society have become more and more integrated into Canada and North America, our North Atlantic role has diminished. There is no way of denying the reality that, from the perspective of the heartland of the continent, whether in central Canada or in the United States, we are seen as marginal and peripheral. They view the province as remote, difficult and expensive to reach, with a harsher climate. They do not consider the province an important domestic market. That is not to say that what the province produces is not valued, or that as a people we are not valued. But that value will always be discounted if it is measured only by Ontario or New York standards of location, population and concentration.

Another aspect of the province's location that bears reiteration is the dispersal of its small population over an enormous geography. The public service and transportation infrastructure are stretched to the limit to service remote communities. Addressing this challenge is not easy and has tested the ingenuity of our governments and businesses for a long time. We must embrace, wherever possible, new technologies that enable services to be delivered from central locations. The population distribution turns fundamentally on the broader issues of rural sustainability discussed elsewhere in this Report.

Transportation

Transportation and communications have been vital to both the Island portion of the province and Labrador. Canada has developed and prospered in the past century by defying its huge and difficult terrain through its leadership in transportation and communications services and technology. Consider the Canadian Pacific Railway, Air Canada, the Trans-Canada Highway, the Canadian Broadcasting Corporation and Telesat. However, deregulation of transportation markets and the privatization of national carriers and ports have put at risk what was once an important Canadian strength – a viable, available, affordable transportation network across the entire national territory. Admittedly, these changes were made to increase Canada's overall economic competitiveness. The new policy framework may work for the concentrated population centres and markets in Canada, but it does not work for the more widely dispersed populations for which the original infrastructure was intended. This is especially worrying for Newfoundland and Labrador because we are so dependent on efficient transportation linkages for our global competitiveness.

What is worse, our position in the Canadian transportation network is shrinking. With the agreement of both the federal and provincial governments, the federal crown corporation that ran the Newfoundland railway closed it down completely in 1988, with the federal government providing compensation in the form of highway investments. This places a much greater burden on the competitiveness and viability of remaining road, air and sea links.

The road system in this province is absolutely essential to economic prosperity. It is a key to exports, especially fish products, other manufacturing and tourism. It plays a vital role in making an adjustment to a more viable rural economy. The Trans-Canada Highway and the regional trunk roads system have been built through a series of federal/provincial agreements.

Today, the only federal funding program specifically dedicated to highways is the Strategic Highways Infrastructure Program which in this province provides only $11.5 million in federal funds over five years. The Canadian government, unlike the federal government in the United States, has no policy providing for substantial and long-term funding for the country's national highways system. It is time for the federal government to recognize the importance of an efficient and well-maintained highway system for the economic development and prosperity of the nation, and to partner with the provinces in a new generation of highways infrastructure investment.

Convenient and competitive air service is essential if this province is going to prosper. The quality, frequency and availability of air service to and from the rest of Canada have been downgraded consistently in the past decade, especially from airports in Labrador and on the Island outside of St. John's. The federal government's devolution of airport facilities to local authorities has the potential of jeopardizing the long-term viability of many of the airports in the province. The airline business worldwide is in turmoil with complaints mounting about declining service. Yet, convenient and competitive airline routes are an essential requirement for a globally-oriented economy if this province is to compete in human capital markets and tourism. The province simply cannot overcome its locational weaknesses without effective air transportation.[16]

As discussed in Chapter 7, the Gulf ferry service is a visible reminder of Newfoundland and Labrador's place in Canada, and is critically important to the economic development of this province. The Canada Marine Act (1998) and Transport Canada's Marine Policy requires Marine Atlantic to "substantially reduce its costs and increase efficiency."[17] While the Commission is not opposed to increased efficiency, it is important to note that such directives to Marine Atlantic do not in any way excuse the federal government from fully meeting its constitutional obligations under Term 32(1). In addition to living up to its constitutional obligations, the federal government must recognize that investments in the Gulf ferry service are an essential component of economic development in the province. In the past, the federal government's approach and attitude toward this important service has strained its relationship with Newfoundland and Labrador. A renewed focus on this service would send a clear message that it wishes to strengthen that relationship and is committed to ensuring the economic health and prosperity of the province.

Communications and Information Technology

With the revolution in computers and telephone technology, locational disadvantages are being overcome to some extent. These advances are transforming many sectors in the province's economy and eliminating many distance barriers. Still, they will not solely turn a small community into a "new economy" powerhouse. In fact, research into the locational decisions of high technology firms across North America and Europe confirms that "agglomeration" effects are still significant. The tendency of firms to cluster together so that they can better encourage, compete and feed off one another is even more pronounced in the new economy than it was in the older one. The province's entire economy is likely too small to become a significant centre for the new economy, but, as noted already, there are hundreds of firms now active in the direct "high tech" sectors. In the rest of the economy, existing and new businesses must apply technology and make productivity gains. In other words, even without becoming major players in the core of the new economy, the businesses need to keep applying the technology to remain competitive in the global economy.[18]

In theory, one can do business anywhere with a cellphone and a laptop computer. In practice, these devices require expensive infrastructure that is not available everywhere. In particular, high-speed or broadband Internet access is seen as the critical new infrastructure to support a myriad of web-based applications. Such applications need people who are willing and able to use them. The reality is that the province has a major "digital divide." The divide relates to age, gender and economic groupings; it is also social and geographical. Some communities are connected to broadband Internet, and some are not; within communities, some will use and apply the new technology in their daily lives, and some will not or cannot. It is an important indicator of adaptation to the new economy that only 58 percent of the provincial population has Internet access.[19] We face a chicken and egg problem: lack of broadband service because of lack of customers; lack of customers because of lack of service. We may be able to look to the New Brunswick model of the 1980s. At that time the public and private sector made the far-reaching decision to place a digital telephone and fibre optic cable network throughout the entire province, which has reaped significant benefits since.[20]

The federal government has recognized the promise of a national approach to the provision of broadband access to smaller communities, but so far has only been able to proceed with small pilot projects. What is needed is a more comprehensive national program, with flexibility for intergovernmental cooperation, that can integrate the needs of provincial government service provision with the developing private market in remote communities.

Conclusions

The new global economy is creating opportunities based on instantaneous communications, information and human resources. Newfoundland and Labrador has a cluster of strengths that, in a relatively small society, interact with one another to respond to this new generation of opportunity. They consist of the following:

- valuable and strategic natural resources
- a potentially sustainable environment of natural and human ecology that is unique in the world
- a determined people, with strong entrepreneurial drive and diverse work skills

If Newfoundland and Labrador is to take advantage of its location and compete in the global economy, it needs effective transportation and communications infrastructure. Since 1949, the federal and provincial governments have jointly undertaken the building and maintenance of that infrastructure. The federal government also has constitutional responsibilities with respect to the Gulf ferry. In the past decade, however, deregulation and privatization has put at risk the provision of a viable, accessible and affordable transportation network in this province. While these changes were made to increase Canada's overall economic competitiveness, they have reduced the competitiveness of regions with widely dispersed populations such as Newfoundland and Labrador.

The Commission concludes that there are four key aspects of infrastructure to be addressed:

- There is a need for a new generation of highway investment in the Trans-Canada Highway, the Trans-Labrador Highway and the regional road system.
- Federal policies and programs must ensure a viable air transportation network to, from and within Newfoundland and Labrador.

- In addition to meeting its constitutional obligations, the federal government must recognize that investments in the Gulf ferry service are an essential component of economic development in the province.
- High-speed or broadband Internet access is critical new infrastructure. A more comprehensive federal government program for the provision of broadband access to smaller communities is required. This program should have sufficient flexibility for partnership agreements with the provincial government and the private sector.

Finally, the Commission recognizes the key significance of education and research in the ability of the province to participate in the knowledge-based economy. The kind of significant advances required to truly match the human resource potential of Newfoundland and Labrador calls for a concerted effort by both orders of government. Two key roles of the federal government are support for post-secondary students and support for research. The student debt burden is becoming a significant contributor to the out-migration of young adults from this province, and must be eased through reformed student aid programs. Efforts to make research funding to universities less tied to past research success, and more tied to emerging strengths, are also required.

Without reliable transportation and communications infrastructure and without an educated population, this province will not be able to fully participate in the new economy. It is in the best interests of the province and the country that both levels of government work together to ensure that these supports are in place in Newfoundland and Labrador.

"Small island economies such as Newfoundland have the opportunity and, generally , the necessity, of being open and connected to the rest of the world. The ocean has always been Newfoundland's medium, metaphorically its highway, railway, airline, shipping, literary, telegraph and satellite connection. The sea does not represent a vast emptiness bordering the coast isolating and marginalizing a society. The sea has always been a prime measure of freedom and opportunity."

Excerpt from the Public Consultations

"... Newfoundland and Labrador is isolated from mainland North America- and the high cost for people and goods to and from our province is costing multi-millions in lost opportunities. These excessive charges are stifling tourism based economic growth."

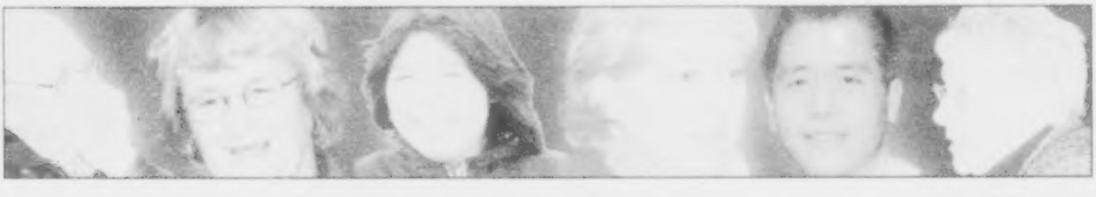
Excerpt from the Public Consultations

"National research funding, transfers in support of educational funding, being part of a Canadian intellectual network - -all these have contributed to making Memorial University more than what it may otherwise have been in the absence of Confederation."

Excerpt from the Public Consultations

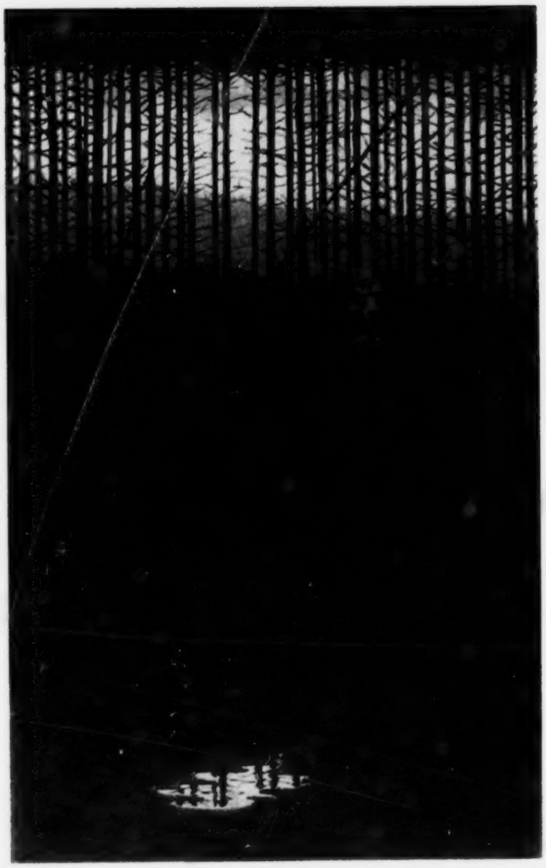
"In the past 50 years the rise of a university -educated population in the province has resulted in a shift in the attitude of its people-- from a willingness to accept imported leadership in many sectors of our society and economy to a demand that leadership must come from within - that economic and social decisions affecting Newfoundland and Labrador would be made by the people of this place."

Excerpt from the Public Consultations



Section 5

Pathway to Renewal



©Jerry Evans
The Path

1994, Lithograph

Chapter 13

Recommended Pathway to Renewal

The Commission has been significantly influenced by the passion with which Newfoundlanders and Labradorians described their place in Canada, and the manner in which they articulated their views on the critical issues affecting their future as Canadians. There is a deep sense that a powerful set of circumstances has dominated Newfoundland and Labrador's relatively short history in Confederation, and that these circumstances cry out for accommodation. Newfoundland and Labrador has lost its fish, lost the profits from its hydroelectricity, is losing a large segment of its population and is now losing much of the benefits from its offshore oil. As a consequence, the province seems to have lost its place in Canada.

When Newfoundland and Labrador joined Canada, it expected to be a fully respected partner in the federation and to progress to the same standard of living as other Canadians. The province expected that it would not be dependent on the federation, but would derive its prosperity from its own abundant natural resources. It has been the Commission's challenge to take these expectations into account and to recommend a new pathway to renewal. This pathway is intended to tackle current realities and offer practical responses that are in the best interests of the people of the province.

The foundation for this pathway must be a different kind of relationship between the federal and provincial governments. The relationship between the two is not working. It has been characterized by blame and acrimony, confrontation and dismissiveness, legal threats and constitutional demands, lack of understanding and sensitivity and the failure to jointly address the major issues facing this province. A renewed partnership is a two-way street, and it needs to be pursued based on collaboration and a continuing commitment to understanding each other's expectations and challenges. The partnership must be strong enough to withstand disagreements, flexible enough to deal with distinct circumstances and creative enough to find approaches to unique needs and opportunities. The measure of a renewed relationship will not be whether the two governments are simply getting along. Rather, it will be the extent to which they jointly deal with the key issues facing the province and in the long-term best interests of the people of Newfoundland and Labrador.

The pathway deals with a comprehensive package of issues of paramount importance to the province. The Commission is confident that the elements in the pathway have great potential to renew and strengthen Newfoundland and Labrador's place in Canada – but *only* if the political will exists to move forward. Canada has a history of adapting itself to new realities, not always through constitutional arrangements, but often through negotiation and flexibility in government decision-making. It has a history of being guided by the shared values of equality, justice and respect. It is in this context that the Commission is hopeful that its Report will strengthen Newfoundland and Labrador's place in the federation.

In the following pages, the Commission outlines the findings, conclusions and recommendations that are the key elements in the pathway to renewal.

> I'm sittin' on my stage-head lookin' out at where Skipper Joe Irwin's schooner is ridin' at her moorin'… thinkin' about how weak are the things that try to pull people apart – differences in colours, creeds and opinion – weak things like the ripples tuggin' at the schooner's chain. And thinkin' about how strong are the things that hold people together – strong, like Joe's anchor, and chain, and the good holdin' ground below.
>
> Ted Russell, The Holdin' Ground (1954)

Confederation – a Partnership of Mutual Benefit

- Confederation was a moment of historic significance for Canada and an unprecedented opportunity for Newfoundland and Labrador. In joining, the province became a partner with nine others, an equal in a growing and prosperous nation. The province brought vast new riches into Confederation, including the diversity of its Aboriginal and non-Aboriginal cultures, the openness and warmth of its peoples, the beauty of its geography and landscape and the skills of a talented workforce of women and men. ***Although the people were few in number, only 350,000 at the time of Confederation, Newfoundland and Labrador entered Canada with much to contribute.***

- The province's contribution also included its strategic airspace and geographic location, one of the richest fishing resources in the world, powerful hydroelectric resources (particularly on the Churchill River), a massive continental shelf encompassing significant oil and gas reserves, forest resources on the Island and in Labrador and mineral resources, including the vast iron ore and nickel deposits in Labrador. ***There is no doubt that Newfoundland and Labrador has made a magnificent contribution to Canada.***

- Since 1949, Newfoundland and Labrador's economy has become more diversified, real personal incomes are higher and the overall level of education has risen. Important public infrastructure, including roads, schools and hospitals, has been expanded and improved. Newfoundlanders and Labradorians are benefiting from medicare, Canada Pension, employment insurance and other Canadian social benefit programs. Significant contributions to economic progress have come from Canada's development expenditures and from its investment in the Hibernia oil project. ***There is no doubt that Canada has made a magnificent contribution to Newfoundland and Labrador.***

Disconnect and Discontent

- There is a worrisome disconnect between the vast resources brought into Confederation and the relatively disadvantaged position of Newfoundland and Labrador compared to that of other provinces. It has the nation's highest unemployment rate, lowest per capita income, some of the highest rates of taxation, highest per capita debt, the weakest financial position, highest rate of out-migration and fastest population decline. ***Whatever else, the perpetuation of economic disparities was not the expectation of the people of Newfoundland and Labrador when they entered Confederation.***

- The troublesome irony which exists today is that Newfoundland and Labrador leads the nation in GDP growth at a time when it is desperately struggling with the painful loss of its once lucrative fishery; it has lost an astounding 70,000 people, or 12 per cent of its population, to out-migration in the last decade; and it has experienced double-digit unemployment for each of the last 35 years. ***The collapse of the fishery, serious out-migration and unacceptably high unemployment have shaken the very foundation of Newfoundland and Labrador and fuelled discontent and frustration about its place in Canada.***

- This deep-rooted frustration is exacerbated by the inequitable outcome of the Churchill Falls project and the lack of development of the Lower Churchill. Furthermore, there is an unfolding realization that, despite the stated objectives of the Atlantic Accord, the province will not be the principal beneficiary of its offshore oil developments. ***In the absence of constructive changes in public policy, Newfoundland and Labrador's place in Canada appears destined to be one of disparity and discontent.***

No to Separation! No to the Status Quo!

- Newfoundlanders and Labradorians are proud to be Canadians. Based on all of its meetings, hearings, research and polling, the Commission has concluded that the issue of separation is not a priority for the large majority of people in the province. The poll indicated that only 12 per cent of respondents thought Newfoundland and Labrador should leave Canada and become an independent country. ***The overwhelming sentiment is against separation and in favour of improving our place within Canada.***
- Newfoundlanders and Labradorians do not believe that the province has yet found its full place in Canada. There is a strong sense that the fundamental issues facing the province are not well understood by the federal government, and are too often ignored or dismissed as "regional" and far less important than concerns seen as "central." The overwhelming sentiment is that the status quo is totally unacceptable. ***Being entrenched at the bottom of the Canadian ladder in a cycle of dependency underscores the need to improve our place in Canada.***
- Under the Terms of Union, Newfoundland and Labrador accepted a place within Canada that was not materially different from that of other provinces. With the exception of Term 32(1), related to the Gulf ferry service, there are no significant clauses in the Terms of Union that can be called upon to renew and strengthen our place in Canada. ***What is needed is a new partnership, not changes to the Terms of Union.***

A New Partnership – a Two-Way Street

- The current federal/provincial relationship is in disarray. It is simply not working, and the best interests of the people of the province are not being served. A changed mindset, characterized by inclusion, cooperation, respect and accommodation, must guide the development of the new relationship between the federal government and the provincial government. ***Both governments must agree to the need for a changed relationship and make a commitment to creating a new partnership***.
- The recommended change to a collaborative relationship is not meant to apply only to Newfoundland and Labrador. The Commission believes such a change is being demanded by other provinces and by Canadians right across this country. ***The future strength of Canada depends on the ability of the provincial, territorial and federal governments to reshape the federation so that it works in the best interests of Canadians.***
- It is in Canada's best interest that this province find the way to build on its own strengths and break away from its cycle of dependency. The recommended pathway to renewal is key to this province's achieving prosperity and self-reliance. ***Newfoundland and Labrador has an***

opportunity to be seen as a test case of whether the political will exists in both the provincial and federal governments to break the pattern of confrontational federalism.

- Since the members of the Canadian Senate are not elected, the Senate lacks the democratic legitimacy to represent the interests of the provinces. An elected Senate, with equal representation of the provinces, would ensure that provincial issues receive greater federal attention. While this is a longer-term objective, the provincial government should join other provinces in advocating Senate reform. ***The Commission supports the calls for an elected and equal Senate in order to improve the representation of provinces in the federal parliament.***

- A properly balanced and well-functioning federation is the responsibility of both the federal and provincial governments. Currently, federal/provincial mechanisms are too ad hoc and dependent on the will of the federal government. Provincial and territorial governments should explore with the federal government more efficient mechanisms for strengthening federal/provincial relations. ***The Commission supports the need for more organized and regularly scheduled First Ministers' meetings for a better functioning federation***.

- Provinces are increasingly frustrated because their interests are not understood by the federal public service or reflected in federal policies and programs. This is exacerbated by the perception of many Canadians that the interests of central Canada are of greater importance than those of the other provinces. ***In order to improve federal administrative sensitivity to Canada's regional diversity, the federal government should implement policies to ensure that the federal public service understands and reflects that diversity.***

A New Way of Thinking and Relating

- An important step toward renewal would be the adoption of a new mindset which embraces the concept of being relentlessly "present-minded" in analysing challenges, and relentlessly "future-minded" in tackling them. ***It is time to adopt a new state of mind – one which looks to the future, refuses to dwell on the past and takes more responsibility for working cooperatively as a society.***

- Within Newfoundland and Labrador, the provincial government must build on initiatives related to social inclusion for all of its citizens. The pathway to renewal is based on a team effort involving Aboriginal and non-Aboriginal cultures, women and men, businesses, unions and tradespeople, volunteers, youth and seniors. ***The principles of social inclusion – equality, openness, dialogue, respect and trust – are seen as fundamental to renewal in governments' dealings with all aspects of society as well as in citizens' relationships with each other.***

- Unfolding social and economic circumstances have, in many respects, different impacts on men and women. Stronger policies must be implemented by the provincial government to facilitate the inclusion of women in decision-making, improve women's access to training and education and improve gender equality in the workplace. The Commission supports those calling on the Government of Canada to revisit the 1970 *Report of the Royal Commission on the Status of Women*. ***Governments at all levels must work more diligently to ensure that women's values, experiences, knowledge and skills are better reflected in policy formulation.***

- There is no single solution or template for the numerous complex issues confronting Aboriginal peoples. Priority attention should be given to the timely conclusion of Innu and Inuit land claims negotiations with the provincial and federal governments; the creation of federal reserves at the Innu communities of Natuashish and Sheshatshiu; access to federal programs by Mi'kmaq and Labrador Métis; and timely decisions by the federal government on Labrador Métis land claims application. ***The federal government, working closely with the provincial government***

and Aboriginal groups, must act to bring clarity to the rights and entitlements of Aboriginal peoples in the province.

- The undercurrent of alienation that exists in Labrador cannot be ignored. There must be ongoing consultation and focus on issues of vital importance to Labradorians. In particular, the Commission is recommending that attention be directed toward accessing Labrador energy for domestic and commercial use in Labrador, completing the Trans-Labrador Highway and securing the future of the Goose Bay airbase. On these issues, governments must address the interests of Aboriginal peoples as well as environmental matters. ***The provincial government must demonstrate an ongoing strong commitment to meaningful consultation with Labradorians, and their inclusion on key issues.***

Youth and Our Future

- With the out-migration of young adults and families with young children, many rural areas have lost almost their entire younger generation. This province needs young men and women if it is to build a stronger and more prosperous future and if it is to continue to have a strong culture and identity. It is recognized that some young people will always choose to move to broaden their horizons. ***The challenge for the province lies in ensuring that young people are not compelled to leave for economic reasons, but have a choice to stay or return home.***

- The Commission was encouraged by the importance that young women and men attach to education. Nevertheless, there is a need for increased counselling services during high school to enable youth to make better choices about their future careers and post-secondary education in university or community college. There is also a need for improved access to apprenticeship programs and support for training programs for women in areas in which they are under-represented. The Commission is aware of the irony that there is an imminent labour shortage in this province even as it experiences high unemployment. ***Young people are challenging government to find ways to ensure that they are fully aware of the employment opportunities existing in this province, and that the appropriate educational programs are in place for them to take advantage of these opportunities.***

- While every person must be encouraged to pursue his or her full potential, opportunity must be provided for that potential to be realized within Newfoundland and Labrador. Too many talented young people have to leave this province to secure employment, often because their student debt loads leave them no choice. ***The Commission concluded that student debt burden is becoming a significant contributor to out-migration, and that federal/provincial programs must be adapted to deal with this reality.***

- The Commission was reminded by young people that too much focus on the negative discourages them from believing in themselves and feeling confident about the future. They know that the image of the province will improve as the province's place in Canada improves. ***The optimism and energy of young men and women embody the new way of thinking needed to renew and strengthen our place in Canada.***

Fiscal House in Order

- Since Confederation, successive budgetary deficits in Newfoundland and Labrador have led to an accumulation of debt which, combined with unfunded pension liabilities, results in an overall taxpayer-supported debt burden in excess of $10 billion. In 2003, the province budgeted for a deficit that is double the previous year's, and incorporates a shortfall of over $100 million on current account. ***Newfoundland and Labrador's budgetary deficit trend is unsustainable.***

- The prospect of significant reductions in program spending presents major challenges to the government's ability to maintain existing service standards. Tax levels in this province rank amongst the highest in the country, and further tax increases would be counterproductive. ***The fiscal options are extremely difficult, but they must be addressed.***
- Offshore oil revenues are projected to increase significantly in the coming years. However, the net benefit of these revenues to the province will be substantially diminished through the loss of equalization payments, even after fully reflecting the revenue-protection arrangements set out in the Atlantic Accord. ***Offshore oil revenues under the current structure cannot be expected to eradicate the serious fiscal challenges confronting the province.***
- The Commission urges the provincial government to commit itself, through legislation, to balanced budgets within a specific time frame, and to take action to ensure that appropriate arrangements are in place to address its significant unfunded pension liabilities. Once fiscal balance is restored, there is still the need to address debt and ease tax burdens. ***Fiscal prudence dictates that the provincial government take the necessary steps to get its fiscal house in order.***

Fiscal Federalism

- The purpose of equalization is to ensure that provinces can provide reasonably comparable levels of social services at reasonably comparable levels of taxation. While it has been enormously beneficial, the equalization formula is not working as it was intended. ***The reinstatement of the ten-province standard, the inclusion of accommodation for population changes and the preservation of the generic solution are all critical if the equalization program is to meet its stated objectives.***
- The Canada Health and Social Transfer (CHST) is designed to support social programs in the provinces and territories. Despite the additional federal funding provided this year, CHST cash entitlements for this province remain below the level in effect in the mid-nineties. The Commission supports the position of the provinces and territories that, in order for social programs to be sustainable, the federal government must provide greater financial support. In addition, the Commission is recommending that accommodation be made to enable provinces to adjust for declining population over a reasonable period of time. ***Funding under CHST should be increased, and the arrangements altered to ensure that population loss can be equitably accommodated.***
- After many decades of federal and provincial governments cooperatively planning and jointly funding regional economic development programs, the federal government has abandoned this approach. Those cost-shared agreements provided critical funding for many strategic government and industry-specific initiatives in Newfoundland and Labrador. ***The Commission encourages the Government of Canada to reconsider its position and negotiate new cost-shared agreements with the provincial government.***

Last Chance for the Fishery

- The collapse of the groundfish fishery and the vulnerability of the crab and shrimp fishery are critical issues for the people of rural Newfoundland and Labrador and for the economy of the province. Priority must be given to the rebuilding of fish stocks. This requires a renewed emphasis on fisheries science, with the restoration of adequate federal funding for the Department of Fisheries and Oceans. ***There must be a collaborative approach to resource recovery that***

focuses on conservation, science and industry reform, and gives the province a meaningful say in its fishery.

- The rebuilding of groundfish stocks, the long-term sustainability of shellfish and the restoration of fisheries science are of the highest priority. An action plan is urgently needed to address the issues. This plan would be based on existing extensive research, and would incorporate a strategy to restore funding for fisheries science. ***The Commission recommends the establishment of an Action Team jointly appointed by the Prime Minister and the Premier, with a six-month mandate to develop a comprehensive action plan.***

- The provincial government must have direct participation in the management of its most important resource. The Commission recommends the negotiation of a new fisheries-management relationship between the two governments, leading to the development of mechanisms for joint management of the fishery, integrated policy development and implementation. ***Achieving joint management does not require constitutional amendment, and could follow the same route that led to the current joint management regime for offshore oil and gas.***

- The Commission recommends that the federal government develop a forceful plan to address foreign overfishing based on the reality that NAFO (Northwest Atlantic Fisheries Organization) simply is not working. It recognizes, however, that unilateral action by Canada to assume custodial management for areas such as the Nose and Tail of the Grand Banks poses serious legal, diplomatic and enforcement risks. Canada, therefore, should make a determined effort to strengthen NAFO. ***At the same time, Canada should prepare itself and the international community for the reality that strong unilateral action, including custodial management, will be necessary should efforts within NAFO fail.***

Rural Sustainability – an Unresolved Challenge

- The most significant social and economic challenge facing the province today is the survival of rural Newfoundland and Labrador. Any efforts to openly address this challenge are complicated by memories of the 1960s resettlement program, by fears that even discussing the issue will signal the end of rural communities, or by mistrust that decisions will be imposed on people in rural areas. Ignoring the challenge, however, discourages in-depth exploration of more creative approaches to rural sustainability. ***The people of the province must become engaged in an informed, public dialogue on the future of rural Newfoundland and Labrador as preparation for the development of a rural strategy.***

- In developing a rural strategy, the provincial government will need to go beyond a focus on jobs alone and explore more fundamental questions and options concerning the future of the province. These future options would include, but not be limited to, the pursuit of an urban agenda, a regional agenda or a rural agenda. Each of these options presents its own opportunities, comes with its own costs and has implications for public policy decisions and public expenditures. There are many possible models of citizen engagement that can be used by the provincial government to bring about informed public dialogue. ***It is imperative that the provincial government articulate a strategy for rural Newfoundland and Labrador.***

Regulation of Natural Resources

- The provincial government must constantly challenge itself to ensure the greatest possible returns from the development of the province's natural resources. The provincial government's current review of electricity policy provides a valuable opportunity in this regard. ***A key component of this review must be a careful consideration of the province's powers under the Constitution of***

Canada, including those added by Section 92A, to derive important and needed benefits from electricity generated on the Island and in Labrador.

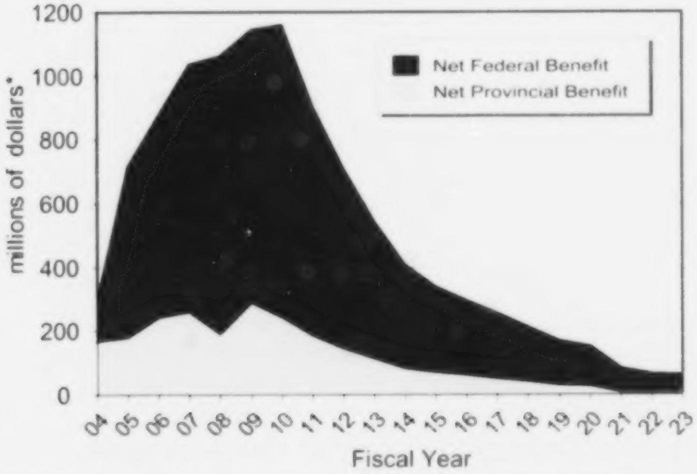
Offshore Oil – Principal Beneficiary

- The stated intent of the Atlantic Accord is that Newfoundland and Labrador is to be the principal beneficiary of oil and gas resources off its shores. The protection in the Atlantic Accord against equalization losses was based on the overly optimistic expectation that Newfoundland and Labrador would become a "have" province in a relatively short period of time. This situation did not materialize. Today, the federal government's income tax revenues, coupled with its savings on equalization, are projected to total 75 to 80 per cent of combined federal/provincial oil revenues over the life of existing projects. The provincial government will be the net beneficiary of only 20 to 25 per cent of these revenues. ***Under existing arrangements, the principal beneficiary of offshore oil will be the Government of Canada and not the people of Newfoundland and Labrador.***

- The current arrangements yield a startling revenue split (see Figure 13.1). It defies all logic to say that the spirit and intent of the Atlantic Accord will be honoured under present sharing arrangements. ***The Commission recommends that the federal and provincial governments enter into immediate negotiations to revise the Atlantic Accord to ensure that a far greater share of net government revenues will be retained by the province.***

Figure 13.1

Net Sharing of Government Revenues from Offshore Oil



Source: Projections based on the existing projects (Hibernia, Terra Nova and White Rose). Data extracted from projections provided by the provincial Department of Finance.

***Note:** Constant dollars adjusted for inflation.

- The amended arrangements should ensure that the province will realize a higher net share of combined federal/provincial government oil revenues until it reaches the Canadian average on agreed-upon fiscal and economic measures. This is an essential ingredient to renewal. ***The existing revenue-sharing arrangements of the Atlantic Accord are no longer a valid means of***

achieving the objectives of the Accord, and they must be amended to enable Newfoundland and Labrador to become the principal beneficiary.

Churchill River

- The Churchill Falls development has profoundly shaped Newfoundlanders' and Labradorians' perception of their place in Canada. Nevertheless, it is crucial that the development of the Gull Island site on the Lower Churchill proceeds in a way that builds new relationships, both with Québec and the federal government. ***After 30 years of unsuccessful negotiations, the time has come to develop the Gull Island hydroelectric site on the Lower Churchill River.***

- The development of the Gull Island site must result in this province's taking fair and reasonable benefits from the development of its resource. The federal government can bring balance to negotiations between Québec and Newfoundland and Labrador by agreeing to be a substantial financial backer of the project. Such a constructive role for the federal government would be entirely consistent with its constitutional commitment to "furthering economic development to reduce disparity in opportunities" under section 36(1)(b) of the Constitution Act, 1982. ***The Government of Canada should be a key participant in the development of the Gull Island energy resource.***

- In moving forward with the Gull Island development, the provincial government must ensure that it takes no action that could prejudice its future ability to regulate more effectively the Churchill Falls resource for the benefit of the people of Newfoundland and Labrador. ***In the view of the Commission, issues related to the Churchill Falls development should not be directly linked with negotiations to develop the Gull Island site.***

The Location Challenge – Global Competition

- Newfoundlanders and Labradorians expect that they should be connected through effective transportation and communication systems to the rest of Canada. The provincial government, as part of its renewal strategy, should seek new funding arrangements with the federal government for improvements to the transportation and communications infrastructure. These arrangements must address a new generation of highway investments and broadband Internet access in rural areas. ***Joint federal/provincial funding for the improvement of key transportation and communications infrastructure in Newfoundland and Labrador is crucial to the province's future economy.***

- Under the Terms of Union, the federal government is required to provide a quality and affordable Gulf ferry service, without interruption, at a level able to meet demand. This important service, however, should not be viewed just as a constitutional commitment to be enforced and respected. ***A renewed focus by the federal government on improving the Gulf ferry service is essential to strengthening the province's economy.***

- The Commission recognizes the significance of education and research in the ability of the province to participate in the knowledge-based economy. Efforts to make federal research-funding programs less tied to past research success, and more tied to developing research strengths, are also required. ***Enhanced federal support arrangements for research will augment the province's ability to compete in the knowledge-based economy.***

Intergovernmental Relations Strategy

- The Government of Newfoundland and Labrador needs a strengthened and well-resourced intergovernmental affairs department with advisers who are knowledgeable and experienced in federal/provincial and intergovernmental issues and relations. ***The building of a productive relationship with the federal government and the other provinces and territories requires a strong team led by the Premier or a member of Cabinet designated as Deputy Premier.***

- Forging partnerships with other provinces in areas of mutual concern is in the best interest of the province. For example, the Commission encourages the building of a tripartite partnership with Newfoundland and Labrador, Québec and the federal government on new hydroelectric developments in Labrador. ***Building alliances with individual provinces on matters of mutual interest should be an important element in the provincial government's intergovernmental strategy.***
- The Commission believes that a well-considered, long-term comprehensive intergovernmental strategy with clear goals and objectives is required. ***The first action within the new strategy would be an early presentation by the provincial government to the federal government on "our place in Canada," using the Commission's recommended pathway as its foundation.***

Assessment of Progress

- If the pathway to renewal is having an impact, progress will be evident. It will be important, therefore, that a full assessment of the extent of progress be undertaken. The findings, conclusions and recommendations of the Commission can be used to benchmark such progress. ***The Commission recommends that the provincial government undertake such an assessment and make a progress report to the people of the province on or before June 30, 2005.***

A Case for Renewal

The recommended pathway to renewal puts forth compelling arguments on how Newfoundland and Labrador can renew and strengthen its place in Canada. Much of the success of the pathway depends on renewed political will by both the Government of Canada and the Government of Newfoundland and Labrador to embrace the concept of accommodation. It represents an unprecedented challenge to both governments to take into account the powerful set of circumstances that has faced Newfoundland and Labrador since Confederation, and to pursue a renewal strategy based on doing the right things in the right ways for the right reasons for the people of Newfoundland and Labrador.

The Commission believes the pathway to renewal can be the first step towards Newfoundland and Labrador's achieving prosperity and self-reliance over the long term. If the federation is going to work, it is incumbent on the federal government to be just as concerned about the disparities facing Newfoundland and Labrador as is the provincial government. There are no magic or simple solutions within the pathway. It does not envisage Newfoundland and Labrador's becoming another Alberta or progressing so rapidly that it leaves other provinces in its wake. It deals, however, with the issues that require change if Newfoundland and Labrador is to improve its current and unacceptable place in Canada.

It will be the responsibility of the provincial government to make the case for renewing the province's place in Canada. That case should start with a comprehensive presentation to the Government of Canada outlining where Newfoundland and Labrador stands after 54 years in Confederation, where the challenges lie and the solutions exist. The Report of the Commission can be used as the basis for that presentation. It will then be the responsibility of the provincial government to pursue a strategy of renewal in a comprehensive, cohesive and consistent manner. The provincial government must organize from a ministerial and public service point of view, so that it can effectively pursue the strategy of renewal through reasoned argument and with a resolute approach.

The time for making the case is now. The Commission feels that arguments relating to renewing our place in Canada must be based on merit. It is essential to get on with making the case and to relentlessly pursue it to a successful conclusion. The people of the province have told the Commission that the status quo must now be challenged, and they expect no less from their provincial and federal governments.

A Better and Brighter Future

It is the goal of this Report to provide each Newfoundlander and Labradorian with a greater understanding of the key issues that define their place in Canada, as well as a fuller acceptance of the kinds of things that have to be achieved in order for Newfoundland and Labrador to break out of its cycle of dependence. The pathway has been created in the expectation that this federation has the ability to accommodate change, to recognize the unique situations facing various provinces and territories, to honour the spirit and intent of national programs, to partner in major projects and to break the pattern of competitive and dismissive federalism. The pathway assumes that a better and brighter future for the country can be built on collaborative and cooperative federalism. This is a future worth pursuing with all the passion and intellect we can muster.

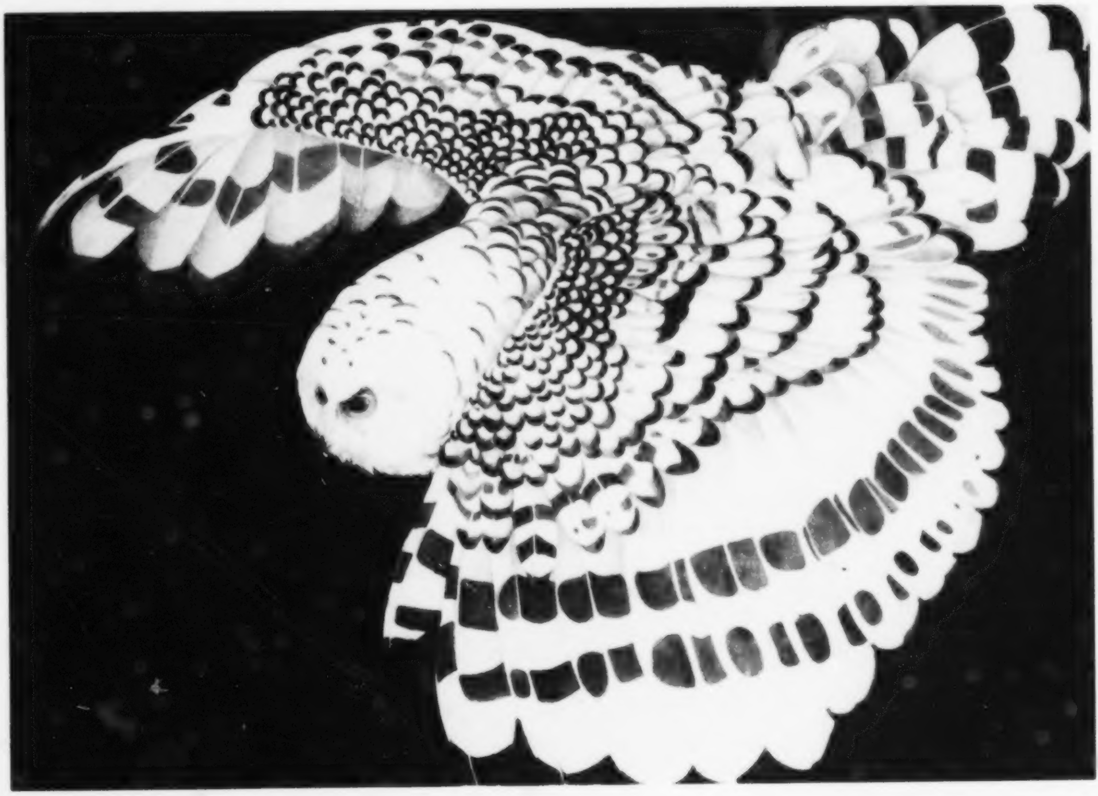
Consider these five examples from the pathway to renewal. First, the current environment of competitive, indeed, combative federalism seldom works to the advantage of the people of Newfoundland and Labrador. Confrontation by the provincial government is more often than not a response to the dismissiveness of the federal government. Reason dictates that both sides should commit to ending this counterproductive relationship. Second, it is unforgivable that, after more than a decade of moratoria on cod and other fish stocks, a plan for rebuilding has yet to be put in place. There is no conceivable reason why an Action Team, jointly appointed by the Prime Minister and the Premier, should not be created immediately. Third, it is distressing to see that, after 30 years of unsuccessful negotiations to get the Lower Churchill developments underway, the Government of Canada remains on the sidelines. It is entirely realistic to expect that Canada will partner with Newfoundland and Labrador and Québec in a joint effort to ensure that the Lower Churchill sites are developed as soon as possible. Fourth, it defies all logic to suggest that the principal-beneficiary objective of the Atlantic Accord will be met under current circumstances. Given this unanticipated outcome, there is every reason to expect that both levels of government would see the necessity of revisiting the Atlantic Accord. Fifth, it is distressing to see the province's continuing lack of direct involvement in managing its own fishery. Both governments must put aside political rhetoric in favour of immediate and realistic negotiations on joint management.

The pathway is built on the expectation that new accommodations can be reached based on fairness, equity, dignity and respect on the many issues requiring urgent action. These accommodations are not only between the two governments but involve Newfoundlanders and Labradorians pulling together to put an end to Labrador alienation; to meet the challenges of rural sustainability; to make social inclusion a way of life; to give young men and women the freedom to remain in or come back to the province; and to accept responsibility for the decisions necessary to put the province's fiscal house in order. The Commission has emerged from its deliberations with a renewed sense of hope and with realistic expectations that the key issues, pursued in an environment of reason and collaboration, will point the way in renewing and strengthening Newfoundland and Labrador's place in Canada.

That is what this pathway to renewal is all about. It is about getting on with those things that need to be done in a collaborative, cooperative and accommodating manner. It is about ending the kind of confrontational and dismissive federalism that has marked the relationship between the two levels of government for too long. It is about progress towards prosperity and self-reliance. It is about a better and brighter future for Newfoundlanders and Labradorians. It is about making certain that, after 54 years, Newfoundland and Labrador finds its rightful place in Canada.

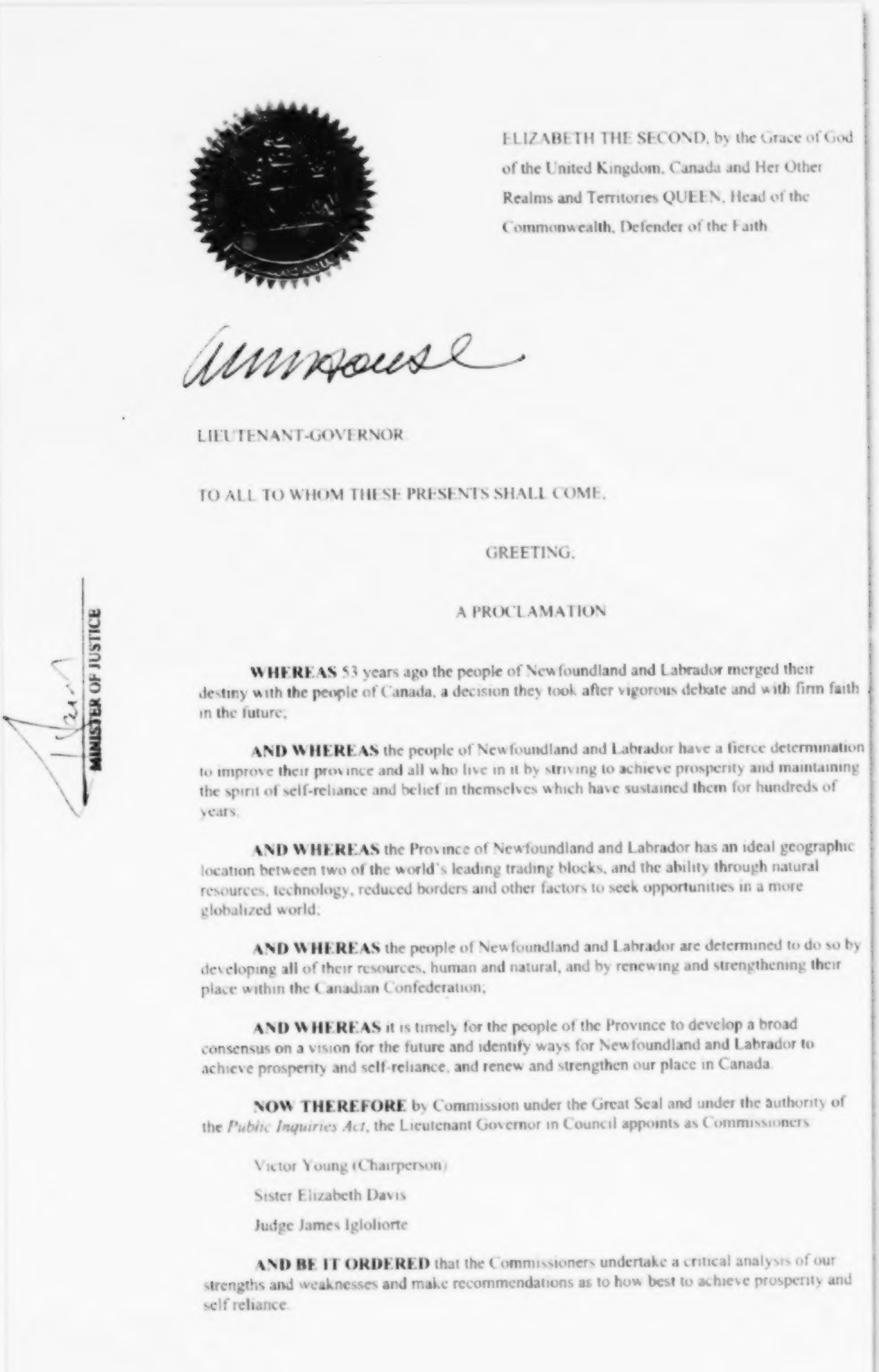
Section 6

Appendices



©William B. Ritchie
Ookpik the Believer

1985, Lithograph, A.P.
Memorial University of Newfoundland Permanent Collection
Art Gallery of Newfoundland and Labrador, The Rooms



ELIZABETH THE SECOND, by the Grace of God of the United Kingdom, Canada and Her Other Realms and Territories QUEEN, Head of the Commonwealth, Defender of the Faith

LIEUTENANT-GOVERNOR

MINISTER OF JUSTICE

TO ALL TO WHOM THESE PRESENTS SHALL COME,

GREETING,

A PROCLAMATION

WHEREAS 53 years ago the people of Newfoundland and Labrador merged their destiny with the people of Canada, a decision they took after vigorous debate and with firm faith in the future;

AND WHEREAS the people of Newfoundland and Labrador have a fierce determination to improve their province and all who live in it by striving to achieve prosperity and maintaining the spirit of self-reliance and belief in themselves which have sustained them for hundreds of years;

AND WHEREAS the Province of Newfoundland and Labrador has an ideal geographic location between two of the world's leading trading blocks, and the ability through natural resources, technology, reduced borders and other factors to seek opportunities in a more globalized world;

AND WHEREAS the people of Newfoundland and Labrador are determined to do so by developing all of their resources, human and natural, and by renewing and strengthening their place within the Canadian Confederation;

AND WHEREAS it is timely for the people of the Province to develop a broad consensus on a vision for the future and identify ways for Newfoundland and Labrador to achieve prosperity and self-reliance, and renew and strengthen our place in Canada.

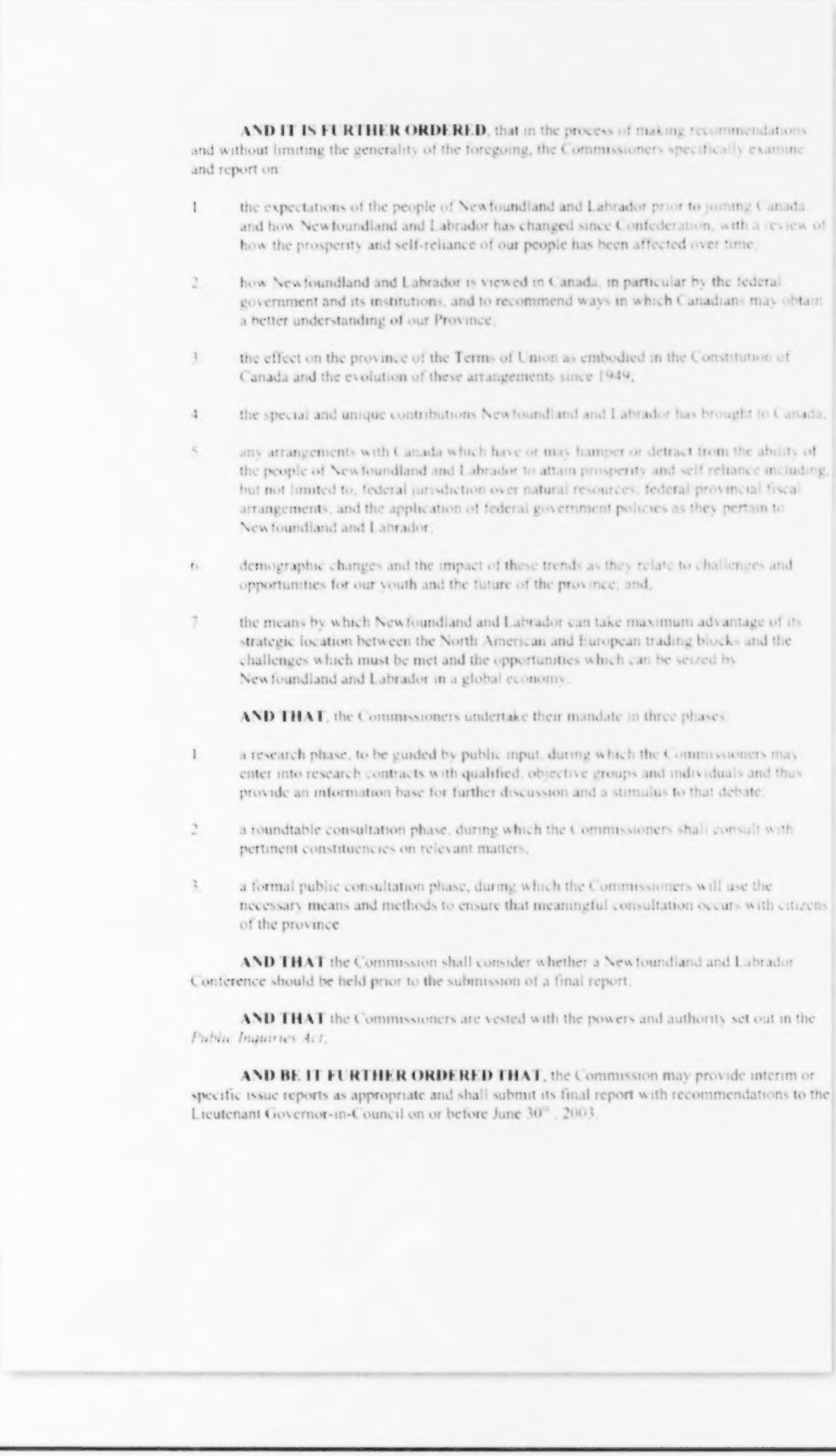
NOW THEREFORE by Commission under the Great Seal and under the authority of the *Public Inquiries Act*, the Lieutenant Governor in Council appoints as Commissioners:

Victor Young (Chairperson)

Sister Elizabeth Davis

Judge James Igloliorte

AND BE IT ORDERED that the Commissioners undertake a critical analysis of our strengths and weaknesses and make recommendations as to how best to achieve prosperity and self reliance.



AND IT IS FURTHER ORDERED, that in the process of making recommendations and without limiting the generality of the foregoing, the Commissioners specifically examine and report on:

1. the expectations of the people of Newfoundland and Labrador prior to joining Canada and how Newfoundland and Labrador has changed since Confederation, with a review of how the prosperity and self-reliance of our people has been affected over time;
2. how Newfoundland and Labrador is viewed in Canada, in particular by the federal government and its institutions, and to recommend ways in which Canadians may obtain a better understanding of our Province;
3. the effect on the province of the Terms of Union as embodied in the Constitution of Canada and the evolution of these arrangements since 1949;
4. the special and unique contributions Newfoundland and Labrador has brought to Canada;
5. any arrangements with Canada which have or may hamper or detract from the ability of the people of Newfoundland and Labrador to attain prosperity and self reliance including, but not limited to, federal jurisdiction over natural resources; federal provincial fiscal arrangements; and the application of federal government policies as they pertain to Newfoundland and Labrador;
6. demographic changes and the impact of these trends as they relate to challenges and opportunities for our youth and the future of the province; and,
7. the means by which Newfoundland and Labrador can take maximum advantage of its strategic location between the North American and European trading blocks and the challenges which must be met and the opportunities which can be seized by Newfoundland and Labrador in a global economy.

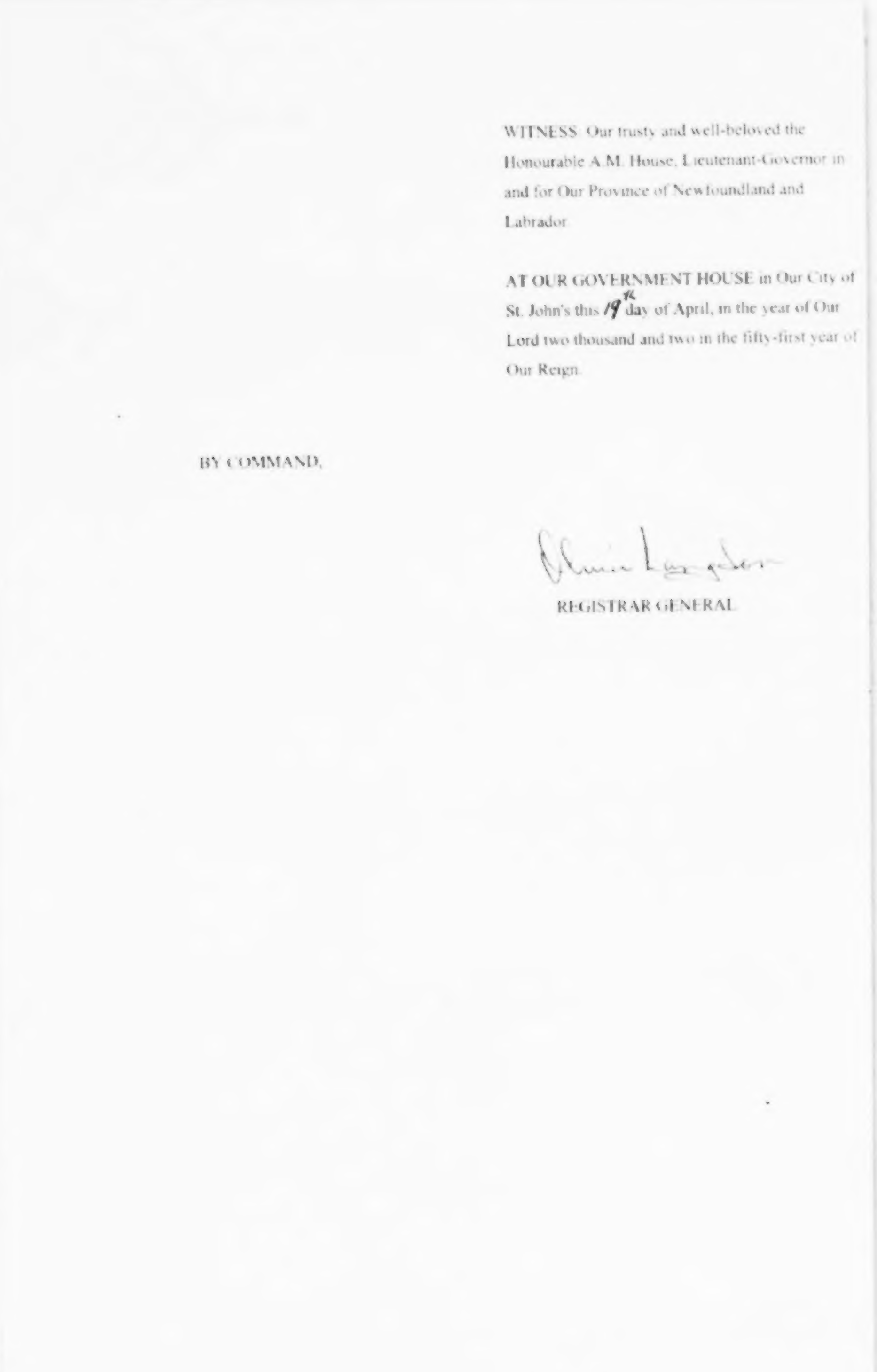
AND THAT, the Commissioners undertake their mandate in three phases:

1. a research phase, to be guided by public input, during which the Commissioners may enter into research contracts with qualified, objective groups and individuals and thus provide an information base for further discussion and a stimulus to that debate;
2. a roundtable consultation phase, during which the Commissioners shall consult with pertinent constituencies on relevant matters;
3. a formal public consultation phase, during which the Commissioners will use the necessary means and methods to ensure that meaningful consultation occurs with citizens of the province.

AND THAT the Commission shall consider whether a Newfoundland and Labrador Conference should be held prior to the submission of a final report.

AND THAT the Commissioners are vested with the powers and authority set out in the *Public Inquiries Act*.

AND BE IT FURTHER ORDERED THAT, the Commission may provide interim or specific issue reports as appropriate and shall submit its final report with recommendations to the Lieutenant Governor-in-Council on or before June 30th, 2003.



WITNESS: Our trusty and well-beloved the Honourable A.M. House, Lieutenant-Governor in and for Our Province of Newfoundland and Labrador.

AT OUR GOVERNMENT HOUSE in Our City of St. John's this 19th day of April, in the year of Our Lord two thousand and two in the fifty-first year of Our Reign.

BY COMMAND,

REGISTRAR GENERAL

APPENDIX B

CONSULTATION PROCESS

In carrying out its mandate, the Commission listened to Newfoundlanders and Labradorians of all ages and backgrounds within and outside the province. This Appendix briefly outlines the processes used. The conclusions of the first four public consultation processes (public meetings, meetings with students, meetings with groups of women and visits to businesses) have already been summarized in *What We Heard*, a document made public by the Commission in February 2003. A copy of that document is also included as Appendix C. The next three processes (dialogues, roundtables and written submissions) are briefly described here, together with summaries of the conclusions.

Public Consultations

Public Meetings

Twenty-five public meetings were held throughout the province from September 30, 2002 to January 27, 2003, including one on the campus of Memorial University of Newfoundland and one at the College of the North Atlantic in St. John's. Over 1,400 people attended these sessions. An additional two meetings were held with expatriate Newfoundlanders and Labradorians in Fort McMurray, Alberta and Toronto, Ontario.

The goal of the public meetings was to encourage and provoke open discussion on all issues related to renewing and strengthening Newfoundland and Labrador's place in Canada. To encourage discussion by as many people as possible, a town hall approach was used. No formal presentations were read at the meetings. Participants were also asked at the beginning of each meeting to set the agenda and identify the issues they wished to discuss.

The following are the communities in which the public hearings were held:

Harbour Breton
Grand Falls-Windsor
Gander
New-Wes-Valley
Carbonear
Placentia
Nain
Labrador City / Wabush
Happy Valley-Goose Bay
St. John's
Mount Pearl
Trepassey
Port aux Basques
Stephenville
Corner Brook
Baie Verte
L'Anse au Clair
St. Anthony
Port aux Choix
Bonavista
Clarenville
Marystown
Cartwright
Memorial University of Newfoundland (St. John's)
College of the North Atlantic (St. John's)
Fort McMurray
Toronto

Meetings with Students

An important part of the public consultation process was meetings with students in elementary, junior high and high schools throughout the province. As the Commission's mandate was to develop a vision and plan for the future, it was especially important to meet with members of the younger generation to understand their perspectives related to Newfoundland and Labrador's place in Canada and to get their views on the future of the province.

The Commission met with over 560 students representing 51 schools in all regions of the province. The following are schools visited and the communities in which they are located.

SCHOOL	LOCATION	SCHOOL	LOCATION
King Academy	Harbour Breton	Baie Verte High	Baie Verte
Fitzgerald Academy	English Harbour West	Indian River High School	Springdale
Exploits Valley High	Grand Falls-Windsor	Mountain Field Academy	Forteau
Point Leamington Academy	Point Leamington	Bayview Regional Collegiate	St. Lunaire-Griquet
Lewisporte Collegiate	Lewisporte	Harriott Curtis Collegiate	St. Anthony
Gander Collegiate	Gander	Roncalli Central High	Port Saunders
Lumsden School Complex	Lumsden	Plum Point Complex	Plum Point
Lester Pearson Memorial High	Wesleyville	Discovery Collegiate	Bonavista
Carbonear Collegiate	Carbonear	Clarenville High	Clarenville
Ascension Collegiate	Bay Roberts	Marystown Central High School	Marystown
Crescent Collegiate	South Dildo	John Burke High School	Grand Bank
Laval High School	Placentia	Henry Gordon Academy (Elem.)	Cartwright
Jens Haven Memorial (High)	Nain	Henry Gordon Academy (High)	Cartwright
Jens Haven Memorial (Elem.)	Nain	Holy Spirit High	Manuels
Menihek High School	Labrador City	Mount Pearl Senior High	Mount Pearl
Goose High School	Goose Bay	Bishops College	St. John's
Holy Cross Elementary	St. John's	Holy Heart of Mary Regional High	St. John's
MacDonald Drive Junior High	St. John's	St. Kevin's High	Goulds
St. Peter's Junior High	Mount Pearl	Queen Elizabeth Regional High	Foxtrap
Stella Maris Central High	Trepassey	Mobile High School	Mobile
Belanger Memorial	Upper Ferry	O'Donel High School	Mount Pearl
Piccadilly High	Piccadilly	Booth Memorial High School	St. John's
Stephenville High	Stephenville	Gonzaga High School	St. John's
St. James Regional High	Port aux Basques	Prince of Wale Collegiate	St. John's
Elwood Regional High School	Deer Lake	Holy Trinity High School	Torbay
Regina High School	Corner Brook	Brother T. I. Murphy Centre	St. John's
		École Française	St. John's

Meetings with Groups of Women

In the initial public sessions of the Commission, it was evident that the meetings were dominated in numbers by men. Even where there were significant numbers of women, they did not fully participate in the discussions. While in many later meetings this situation corrected itself, the Commission felt it was important to ensure that women's perspectives on renewing and strengthening Newfoundland and Labrador's place in Canada were heard and understood.

Nineteen sessions, either in person or by teleconference, were held with women's groups throughout the province. Over 170 women attended these sessions in:

Nain
Labrador City
Goose Bay
Trepassey
Port aux Basques
Stephenville
Corner Brook
Springdale
West St. Modeste
St. Anthony
Port aux Choix
Bonavista
Clarenville
Marystown
Harbour Breton Conne River
  Grand Falls-Windsor
New-Wes-Valley
Cartwright
Sheshatshui
Placentia

Visits to Businesses

During the public consultation process, the Commission visited businesses in all areas of the province. The purpose of these visits was to obtain a better sense of current entrepreneurship, particularly in rural Newfoundland and Labrador.

Visits were made to 22 business enterprises representing entrepreneurial success stories throughout the province. These included primary and secondary processing of seafood, the production and marketing of wines from wild berries, the production of food products and syrups from wild berries, the manufacturing of windows, the manufacturing of industrial gloves and boots, the quarrying of dimension stone, the industrial sawing and polishing of dimension stone, the mining of iron ore, the manufacturing of cabinets, furniture and wood mouldings, the provision of eco-tourism services, the manufacturing of education software, the secondary processing of seal products, facilities associated with knowledge-based tourism, the production of fibreglass boats, the provision of aerospace services, and the use of information technology by Smart Labrador. The Commission also visited five historic sites, three of which were operated by Parks Canada and two by community organizations.

NAME OF BUSINESS	**LOCATION**
Fishery Products International	Harbour Breton
Superior Glove	Point Leamington
Gander Airport Authority Inc.	Gander
Briggs Aero Ltd.	Gander
Fiberglass Works Ltd.	Centreville
Beothic Fish Processors	Valleyfield
New Wood Manufacturing	Centreville
Terra Nova Shoes	Harbour Grace
Markland Winery	Whitbourne
Epoch Rock	Argentia
Torngat Ujaganniavingit Corporation	Nain
Smart Labrador	Nain
Iron Ore Company of Canada	Labrador City
Weathershore Windows	Trepassey
Starboard Woodcraft Ltd.	Doyles
Innova Multimedia Ltd.	Stephenville
Linkum Tours	Corner Brook
Caboto Seafoods Ltd.	Baie Verte
Forteau Food Processers	Forteau
Red Bay National Historic Site	Red Bay

NAME OF BUSINESS	LOCATION
L'Anse aux Meadows National Historic Site	L'Anse aux Meadows
The Dark Tickle Company	St. Lunaire-Griquet
Port aux Choix National Historic Site	Port aux Choix
Bonavista Historic Townscape	Bonavista
Sir William Coaker Heritage Foundation	Port Union
Paterson Woodworking	Upper Amherst Cove
FPI Burin Secondary Plant	Burin

Conclusion

The goal of the public consultation process was to encourage and provoke open discussion on all of the issues related to renewing and strengthening our place in Canada. The process was indeed a success, if success can be measured by the richness of the thoughts, ideas and passions openly and honestly shared with the Commission by so many people in Labrador and on the Island. The Commission is extremely grateful to all the individuals who participated in the public meetings, school visits, women's sessions and business discussions. Their input was invaluable to the work of the Commission.

Dialogues on the Future of Newfoundland and Labrador

An Overview

The province of Newfoundland and Labrador faces many challenges and has difficult choices to make over the next 10 to 15 years. To further help the thinking of the Commission, three "dialogues" on the future of Newfoundland and Labrador were developed. The Dialogues were developed by the Commission with the advice and support of the Canadian Policy Research Networks (CPRN).[1]

The participants in each dialogue were asked to describe the future they wanted for Newfoundland and Labrador and how it might be achieved. They were also asked to explore some of the trade-offs that various approaches to shaping the province's future might produce. Their task was not to make decisions or develop specific recommendations, but rather to explore broad choices.

To focus the dialogue, three potential future directions were identified and placed before each of the three groups: (i) the pursuit of an urban agenda; (ii) the pursuit of a regional agenda; and (iii) the pursuit of a rural agenda. It was up to each group to decide whether it wanted to pursue one of these possible futures, or whether to pursue an alternative. The task was to design a future that could be implemented.

A total of 74 citizens (35 women, 39 men) participated in three separate dialogues held on March 8, 14 and 15, 2003.

Key Findings

To begin each session, participants were asked to introduce themselves and identify one concern regarding the future of Newfoundland and Labrador. In summary, the main issues participants raised were:

- Out-migration: Examples of out-migration spoken of included university graduates leaving to find high-paying jobs to pay off student loans, and grandparents leaving to re-join families that had already migrated. Some felt young people were being told to leave, but without really knowing why. Quote: "We've lost one generation; let's not lose another."
- Identity: The need to maintain and revitalize a sense of self and sense of place was seen as a high priority. Identity, pride, confidence, perception, attitude, image, social fabric, resilience, strength,

creativity were all evoked to describe our sense of who we are. Quote: "We haven't figured out yet how to use our culture and identity to our social and economic advantage, and to transform us from being proud of who we are to being *confident* of who we are."

Other key issues raised:

- the need to have control over our renewable and non-renewable resources;
- the need for new, bold, apolitical and cooperative approaches to planning and implementation, especially in regards to rural economic development;
- the need for better communication and cooperation among communities, agencies and governments at all levels;
- the need for a long term educational vision and plan.

Desirable Futures

In small group discussions, participants were asked to describe a desirable, but realistic, future for Newfoundland and Labrador: e.g., what do you want this province to be like 10 to 15 years from now? Common themes developed by each dialogue included:

- a positive attitude shift to move us beyond pride to a really confident society
- a long term strategic approach
- more control of our natural, human and cultural resources
- an understanding and celebration of our history and culture
- high standards of education combined with strong community input on attitudes, development and traditional values
- a more positive perception of Newfoundland and Labrador both within the province and across Canada
- cost-effective approaches to public services delivery and economic development
- a need for unity as a province; cooperation amongst communities, regions and governments
- a need for sustainable development and a more holistic approach to environmental, economic, cultural and social concerns.

How Do We Achieve this Future?

In reply, all three dialogues focused on the following:

- Education: increased funding and access; employment based training; more distance education; debt relief; culture and heritage courses and programs; entrepreneurial training; importance of Memorial University of Newfoundland as a partner.
- Economic Development: need for long term view; elimination of political interference; cooperation of federal/provincial agencies; re-examination of the role of boards and agencies; apolitical structures for implementation.
- Resource Ownership/Management: renegotiation with the federal government; use of money from non renewable for renewable resources (oil to education); secondary processing; new mechanisms for fisheries management (including custodial management).

- Building Confidence: promotion of successes; increased understanding of our cultures, history, and traditional values; investment in arts, culture and heritage.

Other key points: citizen participation; need for a new income security system; investment in tourism infrastructure; promotion of internal re-investment; small business forum; encouragement of in-migration.

Underlying Values and Principles

It became clear in the dialogues that participants felt the following underlying values and principles were crucial when considering the future of Newfoundland and Labrador:

- Passion: The love of this place, of wanting to make a difference and build a better future emerged strongly, and in many ways, in the discussions.
- Common Ground: "We can do it. We can collectively sit down, discuss, and find common ground to build upon."
- We Must Do it Ourselves!: It was recognized that we cannot blame each other and or the federal government. Participants spoke of empowerment, continuing the dialogue, etc. – all healthy aspects of an engaged and participatory citizenship. Many stated that the final Report will only have impact if we move on it!
- Time for Action: "We consult and are consulted to death. We have no more time for talking. The time is now." All the discussions pointed toward a frustrated, impatient people who feel that we need action – "just get on with it!"
- Hard Truths and Hard Decisions: We have hard truths to face and some difficult choices to make. It's time to be bold and visionary in tackling the issues facing this province.
- Respect of Choice: Whether people choose to live in rural communities with declining services and infrastructure, or choose to leave them, we must respect their individual choices.
- Confident, Proud and Positive: We have a story – one that makes us proud, that underlies our identity and destiny. We can better understand this story if more investment is made in our culture and heritage, particularly through our educational system. Our pride must be turned into confidence. This was viewed as the key to a better understanding and relationship with the rest of Canada.
- Education as a Building Block: All three dialogues included extensive discussions regarding education and the role it should play in the province's future – from the need for a strengthened curriculum in history and culture to the need for employment-based training. Above all, Newfoundland and Labrador needs a well-educated society.
- Controlling and Managing our Resources: Participants said that we are neither managing our resources to their maximum potential nor getting fair benefits from them. Some thought this was a result of a dysfunctional relationship with the federal government, while others felt it was within us to better manage our resources.
- Balanced Approach – Regional with Rural: Participants clearly stated that rural Newfoundland and Labrador is an integral part of our cultural, social and economic future. At the same time, there is a realization that rural communities that have lost their economic base (e.g., the fishery) may not survive. The discussions clearly indicated that people saw the delivery of public services in the future to those who choose to live in rural areas of the province will require great cooperation between regions.

Conclusion

The three Dialogues were an important part of the work of the Commission. The Commission is grateful to all those who participated in the Dialogues and shared their valuable insights with us.

Roundtables

Another important element in the Commission's consultations with the people of Newfoundland and Labrador was the holding of roundtables on selected issues. These meetings with small groups of people having expertise, specialized knowledge or experience in a particular area provided the Commission with valuable input and advice. Eight roundtables were held involving over 100 people in all. A summary of the discussion of each roundtable follows.

Roundtable on the Fishery

The purpose of this roundtable was to identify and discuss key issues in the fishery, a crucial sector when developing a vision for prosperity and self- reliance for the province. This roundtable was held September 9, 2001, early in the Commission's mandate. Its 10 participants included representatives of industry, fish harvesters, plant workers and public policy makers.

There was general agreement that both problems in, and solutions to the fishing industry were well known and documented, but the ability or will to implement the solutions does not yet truly exist.

Discussion focused on a number of key issues. Commitment to conservation was seen as fundamental, requiring increased funding for science and enforcement. There were a variety of views on how foreign overfishing should be addressed. While some felt the Government of Canada should address foreign overfishing on a priority basis, there was a recognition by others that the federal government could not implement custodial management; as it is has no legal authority to do so, custodial management would be opposed vehemently by other countries. Moreover, there is little or no support in the rest of Canada, including the Maritime Provinces, for such action. One participant suggested a better approach would be if Canada was to promote the development of international fisheries law that would allow for the same treatment of groundfish species as pertains to sedentary species on the continental shelf.

Good management of the fishery in the future requires governments to set out a vision for the industry. Divided jurisdiction between the federal and provincial governments was seen by some participants as problematic, especially the lack of coordination of policies by both governments. A major component of a new vision must include harmonization of federal and provincial policies.

The significant amount of capitalization that has occurred in the fishing industry over the past number of years in the financing of new boats, plants and purchases of licenses was discussed extensively. The new investment in the fishery has not resulted in better wages for many workers, particularly not for plant workers, whose wages remain low. Governments must address this issue with adequate adjustment programs to deal with overcapacity in the industry. Any future new capital investments in the fishery must be concentrated in a limited number of communities. The need for regionalization of the industry and investments in it was strongly urged by a number of participants.

All participants recognized the importance of the crab fishery to the current prosperity of the industry and its workers. At the same time, it was noted that it was unreasonable to expect the crab industry to continue as lucrative and successful as it has been for the past several years. If there is a failure in the crab fishery, the effects will be greater than those of the cod moratorium.

The development of clear access and allocation principles was considered by some to be an issue of primary importance. In this context (as in others), de-politicization of decision making was seen as desirable. A board at arms'-length from governments was proposed as one way to deal with future allocation and access issues in the harvesting and processing sectors.

Advisory Roundtable on Research

The purpose of this roundtable, held July 16, 2002, was to provide advice to the Commission on the development and implementation of its research plan and other research related matters. All eight participants had a long association with Memorial University of Newfoundland and had extensive experience either directly in research and/or directing research projects.

Participants reviewed and provided advice and comments on a draft outline of the research program the Commission had developed. They noted the comprehensiveness of the program and the great challenge to complete it within the short time frame of the Commission. Participants provided advice on the conduct of the research program, existing research that may be of benefit to the Commission, the recruitment of researchers and the publication of research papers. Participants also suggested ways in which the Commission might engage faculty and students of Memorial University of Newfoundland in the work of the Commission.

Roundtable on the Voluntary Sector

The purpose of this roundtable, held February 6, 2003, was to explore the role the voluntary sector plays in the province's communities, and opportunities for this sector to help strengthen Newfoundland and Labrador's place in Canada. Sixteen women and men from all regions of the province, all actively involved in the voluntary sector, participated.

All participants spoke of the extraordinary contribution volunteers and voluntary organizations make to communities in the province. They emphasized that the voluntary sector, along with business and government, is the third sector or pillar of society. In many cases, voluntary organizations provide necessary services that might be provided by government. In some cases, voluntary organizations are the first to identify needs in a community. With cutbacks in government programs and services, voluntary organizations are moving in to fill the vacuum. This province is sixth in the country in terms of numbers of volunteers per capita, but is first in the number of hours volunteered per capita.

There are, however, challenges to the sector. Out-migration has resulted in a decline in the number of volunteers, especially among young people. The effect of the declining population and changing provincial demographics, particularly in rural communities, has increased demands on volunteer community-based organizations. Fewer volunteers contributing more hours are suffering stress and fatigue as they try to cope with increasing expectations.

There was general consensus that funding for this sector is a major problem. Funding from the federal government is normally short-term, disappearing after a few years just as a service is beginning to become established. Core funding and funding for long-term projects are seldom available, and funding for coordination, facilitation, training and community development is especially difficult to access. The volunteer sector in this province has a greater dependency on government funding than provinces that have United Way or similar organizations, or a stronger business sector. Current fiscal arrangements, therefore, create instability and insecurity.

The Strategic Social Plan was extensively discussed. Participants spoke positively about the Plan's objectives and its innovative approaches. Some noted that the Plan has not yet permeated down to the grass roots.

To strengthen the volunteer community-based sector, participants said there needs to be better utilization of federal funding – a made in Newfoundland and Labrador funding policy or an innovation fund.

Continued investment in young people, by instilling in them a sense of community involvement and civic responsibility and valuing their contributions, will encourage more to stay. The value of rural communities should be recognized, but there must be more working together. Several participants cited the need to look at the number and geographic spread of our rural communities and the pressures this creates on the volunteer sector. The absolute value of the volunteer community-based sector to the vitality and sustainability of rural Newfoundland and Labrador communities was unquestioned.

Roundtable on Expectations of Confederation

The purpose of this roundtable was to capture and understand the expectations of Newfoundlanders and Labradorians at the time of Confederation in 1949, and the extent to which Confederation has met these expectations. Eighteen men and women, from all parts of the province, who were young adults in 1949, participated in this roundtable on January 16, 2003. It was an historic gathering which no other province of Canada would be able to convene.

Participants spoke of the controversy and bitterness surrounding the Confederation debate, which had divided many families and friends. Participants recalled that many people at the time lived in poverty, particularly in some rural areas of the province. Available means of communication were limited, and many Newfoundlanders and Labradorians did not even have access to radio to listen to the convention debates. People generally lacked knowledge of Canada and the Terms of Union. A participant spoke of Canada and Britain conspiring to get Newfoundland and Labrador into Confederation as payment of Britain's war debt.

The most common expectation of Confederation was an improvement in living conditions due to Canada's social programs – family allowance, old-age pensions, health and education services. The cost of living was also expected to decrease with the elimination of tariffs and customs on Canadian goods. At the same time, it was recognized that there would be a loss of local manufacturing with the lifting of duties and the influx of Canadian-produced goods. Economic benefits were expected to flow with the development of the province's rich resources, especially those in Labrador. Newfoundlanders and Labradorians expected to be treated "as equal partners and not poor siblings," and the Inuit people in Labrador expected that their language and culture would be recognized. Those who did not support Confederation expressed concern that the rural lifestyle would be lost to over-regulation, and "the time would come when you won't be able to jig a cod over the wharf without a license."

In 1948, the Newfoundland delegation responsible for negotiating the Terms of Union requested that three issues be addressed by the Government of Canada before full negotiations began. These were: (i) assurance that the Government of Canada accepted the Judicial Committee of the Privy Council's 1927 Labrador boundary decision, (ii) recognition that the Port aux Basques to North Sydney ferry was an essential part of Newfoundland within Canada and should, therefore, be taken over and paid for by the Government of Canada, and (iii) assurance that Newfoundland would be able to continue to manufacture and sell margarine in the province. The Government of Canada agreed to these terms and negotiations proceeded. In response to the Newfoundland delegation's list of demands, the Canadian negotiators advised that, since many of these demands would require constitutional change (The British North America Act, 1867), and since all provinces must constitutionally be treated equally, the Terms of Union should be limited to facilitating Newfoundland's transition to the status of a province on a basis equal to that provided for the other provinces. The only flexibility the Canadian delegation had was with respect to policy. Some participants observed that Newfoundland negotiated from a position of weakness and was outmatched by Canada.

There was general agreement that the province has benefitted greatly from Confederation in terms of improved standards of living and government services, and that expectations in these areas have been more than met. No one expected, however, to see the decimation of the fisheries, which some blamed directly on mismanagement by the federal government, while others felt that the provincial government would not have done a better job if it had been responsible. Nor did participants expect to see the high levels of unemployment and out-migration. The clawback of resource revenues and the inequities of the Churchill Falls contract were cited as examples of failures of the federal system in Canada. Many felt that the self-reliance and work ethic of the people in the province have been lost as a result of easy access to government social programs, particularly employment insurance. Some felt that there is cultural genocide occurring in the province, for which the federal government must take some responsibility.

A number of suggestions were made on how the province's place in Canada could be strengthened. On the fishery, recommendations ranged from establishing a task force of fishery experts, to developing a plan to rebuild the fishery, to changing the Terms of Union to give the province control. Others noted that changing the Terms of Union would not be easy and, in fact, amendments may be an insufficient means of solving the issues facing the province today. Similarly, there was a range of suggestions about the Churchill River, from taking legal action under Section 92A of the Constitution, to the federal government declaring the project to be "for the general advantage of Canada," to forgetting about trying to right the wrongs of the Churchill Falls and focusing instead on developing the Lower Churchill. Other recommendations included extending broadband coverage to rural communities to enable them to take advantage of opportunities in the knowledge economy, support for development of the province's culture and arts, and restoration of the self-reliance of the province and its people.

Roundtable with Women

The purpose of this roundtable was to seek the views of women on the province's place in Confederation. Twelve women from all regions of the province, who play leadership roles in policy development pertaining to women, participated in the roundtable held on November 1, 2002.

There was strong consensus among all the participants that women's voices have been eroded over the past decade. One of the great achievements for women was the federal Royal Commission on the Status of Women. Its report in 1970 made 176 recommendations verifying many of the things women had been saying for some time. In recent years, the progress achieved as a result of that process has been chipped away. Women are not speaking out, participants said, for fear of reprisals – loss of funding, loss of promotion, fear of stereotyping or punishment.

Grass roots support for women's organizations by the federal and provincial governments began to decline in the late 1980s and early 1990s, when "core" funding for women's organizations was changed to "project" funding. The silencing of women's voices is multi-dimensional. With the weakening of women's organizations, such as the National Action Committee on the Status of Women, women have less opportunity to network. Women's views are sought less by public policy-makers. Gender analysis has not become an integral part of policy analysis and decisions. The conventional wisdom was that if women were elected to the House of Commons or provincial legislatures, things would change. This has not happened. Issues of particular importance to women are not given sufficient priority. Participants spoke of the continuing abuse and violence against women in society, sexual harassment, lack of women's shelters and inadequate child care services as evidence of this lack of commitment. Aboriginal women, it was noted, share the same experiences.

Part of the explanation for the regression in women's place in society, it was suggested, may be the mistaken belief that women have achieved equality and that there is no longer a need for special initiatives. This regression is not unique to Newfoundland and Labrador. Indeed participants noted that the level of leadership by women in this province is remarkable and above that in many other provinces. Women also play a major role in the arts in this province and derive significant employment from this area. However, this is now being threatened because of the expiration of the federal/provincial funding agreement which had provided support to many arts and culture organizations, and the refusal of the federal government to enter into a new agreement.

Participants made a number of recommendations to the Commission. Governments must play a role in changing attitudes. This can be done in a number of ways. One is through legislation. One example would be the requirement to have gender inclusive analysis as part of all policy initiatives; another would be a guarantee of a certain number of seats in the provincial legislature. An omnibus review of all legislation was also proposed. Governments could also effect a change in attitudes through imposing conditions on the funds it gives to organizations. Consciousness raising and sensitivity training were other measures proposed. There was strongly voiced support for the need for another federal commission on the status of women.

Roundtable with Religious Leaders

The purpose of the roundtable with religious leaders was to obtain their views and those of their congregations about the place of Newfoundland and Labrador in Canada, and the challenges faced in strengthening both communities and the province. Fifteen leaders from thirteen different religious organizations participated in this roundtable on January 14, 2003.

All participants spoke of the rich quality of life in Newfoundland and Labrador, which cannot be compared to any other place in the country. Family, community, sharing and a safe environment were all considered cherished values of Newfoundlanders and Labradorians. Nevertheless, the pull of a materialistic society was recognized and the caution noted that there needs to be a balance of the spiritual and material if Newfoundlander and Labradorians are not to lose the social benefits of living in the province. Indicators of well-being should include not only economic measures, but measures of our social performance as well. Quality of life and success cannot be measured just in financial terms.

There is a negative image of the province in the rest of the country which must be changed. Negative images, it was suggested, were contributing to a lack of confidence in the people. Young people must be instilled with a sense of pride in being Newfoundlanders and Labradorians and in the province. The province has a lot of strengths. We need to accentuate and promote the positive aspects of the province. A number of participants spoke of the need to have a vision – not only for the province, but also for the country and the world.

Out-migration and the impact it is having on families and communities was extensively discussed. Concerns were expressed about the continued sustainability of many rural and coastal communities, particularly those which have depended mainly on the fishery. Resettlement, some said, is not necessarily a bad thing. Indeed, it was noted that Newfoundland and Labrador was settled by people emigrating from other communities. The movement of people from rural to urban centres is a worldwide phenomenon. Larger communities, it was suggested, may be more successful in attracting small industries and new businesses. While it was recognized that out-migration has been part of our culture for generations, it was also stated that people must be given the choice to either leave or stay. The ability to choose, participants agreed, comes with education.

A number of suggestions were made about what the province should do to encourage economic and business development. Many participants spoke of education as the key to the success and advancement of the province. Assistance to young adults for repayment of their student loans would encourage more to stay in the province. Programs to encourage immigration were suggested as a means of attracting investment to the province, as were programs to improve technology and funding to promote research and development. The high cost of transportation to, from, and within the province, is a deterrent to living and doing business here and needs to be addressed.

Participants spoke of the province's relationship with Canada. The people of Newfoundland and Labrador cannot lose faith in being a part of Canada. The banner of separation should not be raised. Newfoundlanders and Labradorians must convince Canada that we are an equal partner in the federation, and we must highlight the many contributions we bring to Canada. As a member of the Canadian family, we have obligations to Canada, just as Canada has obligations to the province. While we wish for a future when the province will not require equalization, our current inability to access revenues from our hydroelectric, oil and gas developments is a serious problem and needs to be addressed. One solution proposed was that the federal government allow the province to keep more of its oil and gas revenues until it has the opportunity to achieve a certain level of prosperity. The provincial government, a participant proposed, should adopt a less confrontational and self-centred approach to the federal government. Another participant expressed the hope that Newfoundland and Labrador would take ownership of our place in Canada and develop a comfort level with it.

Roundtable with Young Adults

The purpose of this roundtable was to record and understand the views of young adults regarding the future of Newfoundland and Labrador, our place in Canada and, in particular, on what can be done to encourage more young people to stay in the province. Fourteen young, professional, working adults from all regions of the province participated in this roundtable on January 13, 2003.

The majority of participants said they had made a conscious decision to stay or return to the province. Reasons cited for deciding to live in the province included lifestyle – the ability to balance work and leisure time, the distinctive natural beauty and culture of our province, and the support of family and friends. None said they stayed for the money. Volunteer experience helped many of the participants find or create work in their communities. "Social entrepreneurship" was cited by one participant as providing an opportunity to create jobs while strengthening communities.

Most participants cited the absence of adequate career development programs as one reason for so many young people leaving. In addition, young people are not aware of work opportunities. While underemployment or unemployment were also cited as the reasons many young people leave, some felt that out-migration was a direct result of a lack of self-esteem about the province and our culture. It was suggested that the source of this lack of self-esteem is to be found in ourselves and the media.

In envisioning the future for the Newfoundland and Labrador they would like to see, the participants made a number of recommendations. They emphasized that the future is dependent upon a strong population of competent, confident young people, and that programs to enhance self-esteem, self-confidence, mentoring and championing our strengths are needed. There is great strength in our sense of place and culture, and we must build on it. Education is key, and all young people must be encouraged to acquire post-secondary education, though not necessarily at the university level. There should be greater emphasis on career planning at the high school and post-secondary levels, government should offer economic incentives for students to stay and work in the province when they have finished their education, and business and voluntary sectors should link with educational institutions to provide career development advice and mentoring. One of the most important economic incentives required to entice young people to stay is student debt relief. Young adults must have a more meaningful input into the decision-making processes and be encouraged to become more involved in community leadership and volunteerism. Neither the fishery nor rural Newfoundland and Labrador must be forgotten. The Island and Labrador need to be brought together in a spirit of cooperation. There is too much alienation and competition between our urban and rural areas and between the Island and Labrador. Our energies must be combined for the good of the entire province.

Roundtable on Culture and Heritage

The purpose of this roundtable was to explore the province's rich culture and artistic heritage, and the ways in which it can play a meaningful role in the future of the province and in renewing and strengthening the province's place in Canada. Ten men and women from the Island and Labrador who are active in the culture and heritage community participated in this roundtable with the commissioners on March 10, 2003.

Funding by the federal and provincial governments for culture was seen by all participants as a priority. Participants questioned whether the commitments of the two governments to the support and promotion of our culture was adequate. The expiration at the end of March 2003 of the Comprehensive Economic Development Agreement, which has been the primary source of funding for the cultural community in recent years, and the failure of the federal government to renew this agreement were decried. Participants spoke of the lack of trust between the two orders of government, with each blaming the other. As many as sixteen cultural organizations depend on the agreement for their core funding. Lack of funding for infrastructure was also cited as a problem. Many participants spoke of the fragility of the arts/cultural community and the serious consequences for artists and cultural and heritage organizations if federal and provincial funding is not reinstated. The need to find new and innovative ways to fund culture was recognized.

Participants spoke passionately of the need to protect and preserve our culture, although participants had differing notions of what they meant by culture. The need to help youth find their own voice, identity and sense of place was thought by some to be imperative. Knowledge of our history and culture no longer occurs naturally. Young people do not know their history or culture or have pride in who they are and where they are from. The province's history is not adequately addressed in the school system; neither do we adequately tell our own stories.

In the first few decades following Confederation, our cultural policy was imported from Canada. In recent years, there has been a change, and the province's cultural policy is now in danger of becoming export-oriented. Newfoundlanders and Labradorians are measuring themselves by success outside the province. Culture and tourism have become closely linked. Some participants felt we should not be defining ourselves as an export-oriented culture. This has resulted in a devaluing of ourselves and our culture and the erosion of our identity. Other participants did not share the same level of concern.

While there was consensus among participants that our culture is basic to our survival, some participants felt that we do not have a full understanding and appreciation of it. We may be proud of who we are, but we are not necessarily confident of who we are. We have a strong culture, but we are not a confident society. Others felt that our identity is at risk and we are in grave peril of losing it.

Built heritage is an important part of our culture, yet it is constantly being threatened and destroyed because of a lack of commitment to its preservation and funding to restore and maintain it. Funding for preservation of Inuit built heritage structures is also difficult to secure.

Many participants spoke of how it is becoming more difficult to tell our own stories. As an example, it was cited that in the 1970s, Canadian cultural policy embraced the concept of a mosaic, in which the province's culture could find some expression. Today that has changed with the focus shifting to the large urban centres. Rural areas everywhere are fighting to survive and have no public voice.

Aboriginal culture in Labrador is not static, but it is not strong. There are not a lot of opportunities for the Inuit people to share their culture with people on the Island. If the Inuit export their culture, it is more often through Inuit people from other countries.

Many participants spoke of the need for the provincial government to have a well-defined, comprehensive cultural policy that embraces Aboriginal and non-Aboriginal culture.

Conclusion

The Roundtables were an invaluable part of the Commission's consultation process. The Commission acknowledges with grateful thanks the important contribution the participants' knowledge and insights made to the development of our thinking and conclusions.

Written Submissions

The Commission invited the public to send formal written submissions, letters or thoughts by mail or e-mail. In all, the Commission received 250 submissions between October 2002 and May 2003. The use of artistic expression was also encouraged, resulting in a small percentage of submissions using poetry, song lyrics and video to express their views.

Written submissions were received from individuals and organizations across the province. The majority of the submissions (177) were from individuals, including 40 submissions from high school, Memorial University of Newfoundland or other post-secondary students. A wide variety of associations and organizations made submissions, including: municipal and provincial organizations, educational institutions, women's groups, Aboriginal groups, unions, development associations, business/industry associations and arts and heritage organizations.

Submissions were received from all regions of the province, with both urban and rural areas strongly represented. Thirty-two submissions were from Labrador. Almost 8 per cent of the submissions were from individuals living in other parts of Canada, and several were from people in the United States. The number of submissions from men greatly outnumbered those from women.

Major Themes of Submissions

Fisheries Issues

The most commonly cited issues were custodial management, foreign overfishing, fisheries mismanagement and cuts to fisheries science.

- *Custodial Management* – One of the most often quoted statements made with respect to custodial management is that Canada should seek to gain control of the Nose and Tail of the Grand Banks for the purposes of greater conservation of the remaining fish stocks:

  > If the fishery is ever to make a comeback and benefit the many fishing communities in this province, Canada has to take complete control of the Grand Banks and find ways to stop the foreign overfishing on both fish banks before all the fish are gone.

  Many of those who wrote on custodial management expressed anger about federal inability and/or unwillingness to address foreign overfishing. A few people linked this lack of federal response to a wider, underlying problem of federal disdain for the province:

  > The apparent inability or unwillingness of the Government of Canada to respond to the wishes and ambitions of the people of this province with regard to the issue of custodial management of what remains of our once vast fishery resource on the Nose and Tail of the Grand Banks, is symptomatic of the underlying problems which this province have been struggling to overcome, in

defining its place within Canada, since the signing of the Terms of Union with Canada on April 1, 1949.

- *Fisheries Mismanagement* – A number of submissions expressed the view that Canada had mismanaged the fishery inside the 200-mile limit. Many of those with fisheries concerns noted that fish stocks were abundant at the time of Confederation, but had dwindled to nothing during the following decades. It was a popularly expressed opinion that foreign fishing and fish quotas were "political" in nature and provided Ottawa with a "bargaining chip" in international relations.

Out-migration/Rural Newfoundland and Labrador

Concerns over the high level of out-migration and the related effects that this has, and will continue to have, on sustainability of rural communities were two of the most often cited concerns expressed in the written submissions. The loss of the cod fishery, the demise of rural Newfoundland and Labrador, the aging of the population and the loss of young people were often spoken of together.

Other submissions spoke of the ways that out-migration has affected the level of services and businesses and reduced the number of schools in particular areas due to the loss of young people and young families. A number of the submissions from students outlined the reasons why they felt that leaving the province was necessary:

> What used to be a prospering fishing community is now a barely surviving community because of the cod moratorium. Because of the lack of jobs here, the town is mainly made up of older people. All the younger ones had to leave town and maybe the province to find work.

Other submissions outlined the ways that out-migration has strained the resources of those left behind. Rural women especially felt burdened as they struggled to fill volunteer and care-giving roles in communities with aging populations.

Natural Resources/Equalization

Concerns expressed included the need to respect the principles of adjacency and the need for greater local input and control over the management of resources. Natural resources and equalization "clawbacks" were often spoken of together. The current equalization formula was cited as punitive to provinces attempting to break their cycle of dependency. A small percentage of authors urged the Commission to recommend that the changes contained in the Senate Committee Report on "The Effectiveness and Possible Improvements to The Present Equalization Policy," March 2002, be implemented. Other submissions specifically mentioned offshore petroleum. Comments ranged from those who believed that its development should be left for times when better deals could be had to those who pressed for secondary processing in the province.

Churchill Falls

Many submissions mentioned the Upper Churchill as a major injustice to the province and as how *not* to proceed with future developments. Most of the submissions concerning hydroelectricity on the Upper Churchill expressed outrage and indignation at the loss of profits, and the desire for the federal government to intervene on behalf of the province. Others noted the ability to transport oil and gas across provincial borders in other jurisdictions, underlying the injustice of the Newfoundland and Labrador situation.

Transportation Issues

Many authors felt that transportation costs were a major barrier to economic growth and equality with the rest of the country. The most common issue cited was the high cost of the Gulf ferry.

Other transportation concerns included the high cost of airfares, poor service and scheduling of air and marine transport, and the vital role that transport plays in Newfoundland and Labrador's tourism industry. A small percentage of the submissions called for a fixed link that would "physically and symbolically" unite Newfoundland and Labrador with the rest of Canada.

Image

The negative image of the province in the rest of Canada was raised in many submissions. People wrote about their anger and frustration regarding the negative attitudes and stereotyping by Canadians of the people and the province of Newfoundland and Labrador:

> ... until we can overcome, by one means or another, the huge, negative, patronizing, ignorant, disrespectful, and often derogatory, opinion of our province and thereby CHANGE THE IMAGE both abroad and within, we will not be on any decent footing to be able to discuss, or ultimately to negotiate, anything of substance with the rest of Canada or to be respectfully considered.

The concern about image and stereotyping was often accompanied by calls to educate other Canadians about the contributions that Newfoundland and Labrador has made to the rest of Canada in terms of natural resources, geography, culture, artistic talents, and workers (both skilled and unskilled). A few submissions suggested that an organization be established to correct incorrect statements and stereotypes in the media and to admonish those responsible. Several submissions focused on the need for people in the province to begin to "revalue" their own identity and culture. The presenters believed that this was at the heart of self-realization.

Education and Student Debt

Education was addressed frequently in the submissions and was often combined with the concern about student debt and support for Memorial University of Newfoundland.

Education was often viewed as crucial to the future and to the self-sufficiency of the province. As expressed by one author, "Education is necessary in order to renew and strengthen our place in Canada." Many of those who viewed education as key to the province's prosperity also advocated a high-quality, publicly funded system that would be universally accessible to all people. A few of those who mentioned education as a priority also advocated that students have greater access to computer technology.

High tuition and student debt were also mentioned as barriers to education and major factors leading to the loss of young, educated people from the province. As well, some submissions mentioned the importance of Memorial University of Newfoundland:

> Memorial University of Newfoundland is perhaps the most important institution in our province. It continually struggles to attract and retain teachers, and to add necessary infrastructure and technological support. One reason for its struggle is federal policies which often require matching funds before making a contribution to post-secondary institutions, matching funds that wealthier central Canada schools, such as the University of Toronto, find much easier to provide.

Confederation

Comments on Confederation focused on expectations about the benefits of Confederation, the debates and negotiations surrounding Confederation, and pre-Confederation Newfoundland and Labrador. There were two main currents of thought: first, that Confederation was a good thing for the province, with the majority of these authors noting the poverty of the pre-Confederation era and the range of benefits and services ushered in at the time of union; the second reflected the opposite opinion on Confederation — that the province has not benefited from its union with Canada. These submissions spoke of the millions of dollars in the bank at Confederation, as opposed to the billions of debt the province currently faces. They also spoke of our rich natural resources and the fishery. Many who hold this second opinion, such as the author of the submission quoted below, weigh the benefits of Confederation against the current plight of the province:

> What we did by joining Canada was trade all of our resources and our youth for a $6.00 baby bonus and unemployment insurance.

Labrador

Many of these submissions mentioned the place of Labrador in relation to Newfoundland and what was felt to be an "extractive" or a "colonial" relationship. Some of the submissions advocated greater representation for the region and/or greater knowledge of the plight of Labrador by people from the Island portion of the province and the rest of Canada. A few submissions advocated that Labrador become a separate province or territory, believing this would bring them greater control over political decisions and natural resources.

Aboriginal People

Aboriginal issues were raised by both Aboriginal and non-Aboriginal people. Support for land claims in Labrador, the lack of recognition given Aboriginal people in the Terms of Union and the effect this has had on access to programs and services for Aboriginal peoples in the province, and the continued struggle of Aboriginals on the Island to gain recognition were the main themes addressed in these submissions.

Women

Submissions from women's organizations cited a variety of ways to include women's voices in the Commission's final Report and ways to strengthen the voice of women in the province. A few of the submissions emphasized the lack of women in political decision-making bodies. In the case of Labrador, women noted that many of the political and economic decision-makers were from outside the Labrador region. It was also specifically requested that the Commission recommend that the federal government "revisit" the 1970 Royal Commission on the Status of Women.

Federal/Provincial Relations

There was a wide variety of comments about the relationship between the federal and provincial governments. Some submissions requested that the two levels of government cease their jurisdictional quarrels and concentrate on solutions to problems such as child poverty and other social issues that are too large for Newfoundland and Labrador, with its limited resources, to tackle alone.

Many of the submissions spoke to what they perceived as an imbalance in both decision-making and the presence of federal institutions in the province such as government offices and military operations. Many of the these submissions called for greater Newfoundland and Labrador participation in the fisheries and fisheries management. Organizations such as the Newfoundland and Labrador Teachers' Association stated that, while they do not believe that the province should abandon its responsibilities for education, there is still room within federal/provincial schemes for sharing of resources for federal government to better assist the less able provinces in meeting the funding needs for these crucial services.

Newfoundland and Labrador's Contribution to Canada

Approximately one in ten submissions mentioned the ways that Newfoundland and Labrador contributes to Canada as a whole. This was expressed in many different ways, but most respondents referred to resources such as offshore petroleum, the fisheries, the mineral wealth of Labrador and the existing *and* potential hydroelectric power resources. Authors reminded the Commission that Newfoundland and Labrador was, and still is, highly strategic militarily. Other ways that Newfoundlanders and Labradorians felt that they contributed to the federation was in the form of a talented, mobile labour force who have contributed their talents to every part of Canada. Many submissions mentioned the artistic contributions made by this province that have shaped and influenced the country as a whole:

> We have brought a rich culture that has spawned many of Canada's leading writers, actors, musicians and authors, people who have ultimately reinvigorated the Canadians arts community and our national sense of place.

Organizations That Made Submissions to the Commission

Municipal Governments
Town of Carbonear
Town of Labrador City
City of Corner Brook
Town of Burgeo
Town of Port Saunders
Town of Deer Lake
Combined Councils of Labrador
Town of L'Anse au Clair
Newfoundland and Labrador Federation of Municipalities
Town of Burin
Town of St. Lawrence
Town of Happy Valley-Goose Bay
Town of Channel-Port aux Basques
Town of Bonavista
Town of Trepassey
Town of Port aux Choix

Provincial Government/Provincial Organizations
Strategic Social Plan, Labrador Region, Happy Valley-Goose Bay
Northeast Avalon Strategic Social Plan, St. John's
Central Region Steering Committee for the Strategic Social Plan
Community Services Council
Fédération des Francophones de Terre-Neuve et du Labrador
Newfoundland and Labrador Health Boards Association
Newfoundland and Labrador Youth Advisory Committee

Members of Parliament and Senators
Lawrence O'Brien, Member of Parliament, Labrador
Senators William Rompkey, Joan Cook, George Furey and George Baker

Arts/Heritage Community
Resource Centre for the Arts, St. John's
Association of Heritage Industries
Association of Cultural Industries of Newfoundland and Labrador
Association of Newfoundland and Labrador Archives
Alliance of Cultural Industries of Newfoundland and Labrador

Aboriginal Groups
Ktaqmkuk Mi'kmaq Alliance, Grand Falls-Windsor
Association of Aboriginal Artists, Conne River
Labrador Inuit Association
Ktaqmkuk Mi'kmaq Alliance, Kippens
Federation of Newfoundland Indians
Sip'kop Mi'kmaq Band, St. Alban's
Innu Nation Women's Walk, Sheshatshiu
Labrador Métis Nation

Labour Unions
Burgeo to Rencontre, Fish, Food and Allied Workers (FFAW) Inshore Council
Newfoundland and Labrador Building and Construction Trades Council
Chesley Cribb (FFAW/CAW), Marystown
Newfoundland and Labrador Federation of Labour
Fish, Food and Allied Workers (FFAW)
Local 20 Union, Marystown

Educational Institutions/Associations
Labrador School Board, Labrador City/Wabush
Labrador Institute of Memorial University of Newfoundland, Happy Valley-Goose Bay
Northern Peninsula/Labrador South School District
Avalon West School District, Bay Roberts
Newfoundland and Labrador Teachers' Association
Rushoon, Terrenceville and Burin-Marystown Branches of the NL Teachers' Association
College of the North Atlantic
Memorial University of Newfoundland

Development Corporations
Hyron Regional Economic Development Corporation
Emerald Zone Corporation
Southeastern Aurora Development Corporation
Capital Coast Development Alliance
Marine and Mountain Zone Corporation
Irish Loop Development Board

Research Institutes
The North Atlantic Islands Programme

Business/Industry Associations
Hospitality Newfoundland and Labrador
Newfoundland Ocean Industries Association
Trepassey Fishermen's Association
Labrador North Chamber of Commerce, Happy Valley-Goose Bay
Port aux Basques & Area Chamber of Commerce

St. John's Board of Trade
Marystown-Burin Area Chamber of Commerce

Women's Organizations
Gateway Status of Women Council, Port aux Basques
Women in Resource Development, Labrador
Labrador West Status of Women Council
Bay St. George Status of Women
Mokami Status of Women Council, Goose Bay
Provincial Advisory Council on the Status of Women

Religious Organizations
Congregation of the Sisters of Mercy of Newfoundland and Labrador
Canadian Bahá'i Community, St. John's

Conclusion

The submissions gave the Commission invaluable information and assisted in a better understanding of many of the issues raised at the public consultations. Their creativity and scope were interesting in the perspective they gave on how individuals interpreted the mandate of the Commission and on what matters to organizations in this province. The Commission is grateful that so many took the time to respond to the request and thus add to the knowledge base on which its Report is written.

Meetings with Organizations and Individuals

The Commission met with many individuals and representatives of organizations, usually at the request of the Commission.

Provincial Government
Department of Labrador and Aboriginal Affairs
Department of Justice
Department of Fisheries and Aquaculture
Department of Finance
Department of Works, Services and Transportation
Treasury Board Secretariat
Intergovernmental Affairs Secretariat
Department of Industry, Trade and Rural Development
Department of Education
Department of Mines and Energy
Department of Health
Department of Tourism, Culture and Recreation
Department of Environment
Strategic Social Plan
Women's Policy Office

Joint Federal/Provincial Organization
Canada-Newfoundland Offshore Petroleum Board

MHAs, MPs and Senators from Newfoundland and Labrador
Loyola Hearn, M.P., St. John's East
Lawrence O'Brien, M.P., Labrador
R. John Efford, M.P., Bonavista-Trinity-Conception

Rex Barnes, M.P., Gander-Grand Falls
Bill Matthews, M.P., Burin-St. George's
Jack Harris, MHA, Signal Hill-Quidi Vidi, Leader of the NDP

Federal Government Ministers and Officials

Hon. Gerard Byrne, Minister of State (ACOA)
Hon. Stéphane Dion, Minister of Intergovernmental Affairs
Hon. Jane Stewart, Minister of Human Resources Development Canada
Hon. Paul Martin, M.P.
Stephen Harper, Opposition Leader
Federal Deputy Ministers
Atlantic Canada Opportunities Agency, Newfoundland and Labrador Office
Health Canada, Atlantic Region

Provincial/Territorial Officials

Provincial and Territorial Intergovernmental Affairs Officials

Regional/Provincial Organizations/Groups

Atlantic Provinces Economic Council (APEC)
Newfoundland and Labrador Youth Advisory Committee
Newfoundland and Labrador Federation of Municipalities
Newfoundland and Labrador Federation of Co-operatives
Fédération des Francophones de Terre-Neuve et du Labrador
Fisheries Crisis Alliance
Advisory Council to Premier on Social Development (Sub-committee)
Strategic Partnership Forum
Executive Team from Memorial University of Newfoundland
Representatives of Cultural and Heritage Community

Aboriginal Leaders

Peter Penashue, President, Innu Nation
William Barbour, President, Labrador Inuit Association
Todd Russell, President, Labrador Métis Nation
Chief Miesel Joe, Conne River Mi'kmaq Band
Chief Brendan Sheppard, Federation of Newfoundland Indians
Chief Jake Davis, Sip'kop Mi'kmaq Band
Chief Bert Alexander, Port au Port Mi'kmaq Band

Meetings with Individuals

Dr. Axel Meisen
Hon. Brian Peckford
Hon. Brian Tobin
Hon. Bob Rae
Edward Hearn, Q.C.
Dr. Douglas House
Hon. Peter Lougheed
Dr. Peter Neary
Craig Dobbin
Veryan Haysom

Conclusion

These meetings were especially beneficial in helping the Commission understand specific issues or points of view. Appreciation is given to those who took the time to prepare for and attend these meetings.

NEWFOUNDLAND AND LABRADOR

ROYAL COMMISSION
ON RENEWING AND STRENGTHENING
OUR PLACE IN CANADA

WHAT WE HEARD

February 2003

Under the Waves

Something is happening?
It doesn't look good.
I'm scared.
Did I become separated from the rest of my school?

The waters are so desolate these days.
My parents are gone and my friends are disappearing.
I am one of the very few left in my school.
Other schools seem to be getting smaller and smaller, but why?

I hear others complaining of the loneliness.
It's hard to keep up your spirits when so many of your friends are vanishing.
I keep trying to reassure the others that things will improve.
However, they aren't as optimistic as I am. But doesn't someone have to stay positive?

My hope is that one day, in the not too distant future, we will flourish again.
I am confident that when that occurs the loneliness will fade away.

- Anne Gregory
15 Years Old
St. Phillips, NL

Submitted to the Royal Commission on
October 3, 2002

"WHAT WE HEARD"

One of Many Building Blocks

On June 3, 2002, the Royal Commission on Renewing and Strengthening Our Place in Canada began its task of reflecting on and examining our place in Canada. After fifty-four years in Confederation, Newfoundland and Labrador has enjoyed an exciting five decades of social and economic progress and cultural achievement. It is our task as a Commission to assess where we have come from, how we got here and what needs to be done to achieve a more prosperous future. If we are to succeed, it will be because we have inspired a new way of thinking about our province and a new way of doing things.

Our work to date has consisted of five concurrent processes: (i) public consultations throughout the province (public meetings, visits to schools, meetings with women's groups, meetings with aboriginal groups and visits to businesses), (ii) an invitation for formal written submissions (over 220 have been received), (iii) a series of roundtables on focused issues (e.g. expectations on entering Confederation, the state of the fishery), (iv) meetings with federal and provincial ministers, deputy ministers and senior officials, and (v) a formal research program consisting of thirty research papers.

This document, entitled **"What We Heard"**, gives an overview of the first process, the public consultations conducted from September 30, 2002 to January 27, 2003. During this time, we visited communities throughout the province and held twenty-five public meetings attended by over 1400 people. Twenty-three meetings were held in locations from Harbour Breton to Labrador City, from Bonavista to Nain and from Trepassey to Port au Choix. One of the public meetings was held at the St. John's campus of Memorial University and another at the Prince Philip Drive campus of the College of the North Atlantic. We met with over 560 students representing fifty-five schools and held a further eighteen sessions either in person or by teleconference with women's groups attended by over 170 women. We met with representatives of each of the aboriginal groups on the Island and in Labrador. We visited twenty-five business enterprises representing entrepreneurial success stories throughout our province.

The goal of the public consultation process was to encourage and provoke open discussion on all of the issues related to renewing and strengthening our place in Canada. The process was indeed a success if success can be measured by the richness of the thoughts, ideas and passions which were openly and honestly shared with the Commission by so many people in Labrador and on the Island. We are extremely grateful to all of the individuals who participated in our public meetings, our school visits, our women's sessions, our meetings with aboriginal groups and our business discussions. Their input has been invaluable to the on-going work of the Royal Commission.

The process of consulting with the people and our assessment of "what we heard" contained in this document constitute crucial elements in our process. This document, however, is not an interim report. It is simply a reflection of what we have been told during our consultation process. It constitutes **one of many building blocks** leading towards our final report. The Commission has not yet reached any conclusions or adopted any recommendations. These steps can only be taken after we have had an opportunity to review all of the written submissions, complete our roundtable discussions and analyze the contents of our research papers.

This *What We Heard* document also fulfills a commitment made by the Commission at each public meeting that we intended to give timely feedback to the public about what we were told in our consultation process. We would encourage anyone who feels that we have missed important issues or misinterpreted others to get in touch with the Commission by letter, fax or e-mail expressing their point of view.

"SOMETHING WRONG WITH THIS PICTURE"

Public Meetings Perspectives

At our public meetings, the Commission adopted a process whereby the participants at each meeting were asked to set the agenda. The topics which emerged as the most important, in no particular order, were:

- Health care
- Education
- Transportation
- Custodial Management in the Fishery
- Culture of Out-migration
- Equalization / Atlantic Accord
- Rural Newfoundland and Labrador
- Overall State of the Fishery
- New Employment Opportunities
- More Influence in Ottawa
- Churchill River Benefits
- Marine Atlantic Gulf Ferry Service
- Labrador's Contribution to Newfoundland
- Newfoundland and Labrador's Contribution to Canada
- Urban/Rural Divide

From what we heard, it was clear that, after fifty-four years in Confederation, it is timely to conduct a critical assessment of where we stand relative to the rest of Canada. When the Dominion of Newfoundland joined Canada in 1949, by way of a popular referendum, it brought into Canada the vast richness of its people and its natural resources. In our public meetings, much was made of these significant contributions to Canada. With a population of less than 350,000 people at the time, Newfoundland and Labrador contributed to Canada one of the world's most prolific and lucrative fishing resources along its coastline and on the Grand Banks. It brought into Canada the powerful hydro-electric resources of the Churchill River in Labrador, the massive iron ore deposits in Labrador, and the forestry resources on the Island and in Labrador. It brought to Canada its air space, its strategic location, its trade, and its distinct cultures, both aboriginal and non-aboriginal. In more recent years, it has brought to Canada a two hundred mile limit and all that it entails, not only for the fishery but also for the emerging offshore oil and gas industry. There has been the recent discovery of the largest nickel deposit in the world at Voisey's Bay. From what we heard, people are proud of what Newfoundland and Labrador has brought to Confederation.

There was much discussion related to the disconnect between the resources the province brought into Confederation in 1949 and its relative position in Canada today. While Newfoundland and Labrador has led the rest of the country in GDP growth in three of the past five years, there was a sense that it falls far short in many other areas. For instance, it leads the nation in the rate of unemployment which today stands in the order of 18% for the province overall with 9.3% in the St. John's area and over 22% in many rural areas. In other words, in terms of employment, Newfoundland and Labrador is tenth on the Canadian ladder. In terms of per capita income, birth rate and fiscal strength, Newfoundland and Labrador is at or close to the bottom of the Canadian ladder, while in terms of per capita debt, rate of out-migration and tax burden, it ranks among the highest of the provinces. In our public discussions, there was a strong consensus that **"there is something wrong with this picture!"**

The awareness that there is something wrong led people at each of our meetings to focus on who must right the wrong. Participants held an expectation that federal and provincial governments have significant responsibilities in this regard. What the Commission was also told, however, was that the time had come for Newfoundlanders and Labradorians to "do it ourselves", to determine what they want the future of their province to look like and to take the necessary steps to shape that future. Participants said that "doing it ourselves" means holding all levels of government accountable for their responsibilities, getting a better understanding of the challenges faced by rural communities, and working together with all who have a vested interest in the future of this province. As one post-secondary student told us, **"We must take charge of our own future. No one else will."**

At our public meetings, we proposed to each participant, "As you think about renewing and strengthening our place in Canada, write a news headline which you would like to see in the year 2012." The completed headlines envisioned a prosperous province with full employment, little out-migration, an increasing population, a restored fishing industry and the treatment of Newfoundland and Labrador as a full and equal partner in Canada. A few headlines foresaw Newfoundland and Labrador separated from Canada or Labrador designated as a fourth northern territory.

The public meetings helped us understand the challenges the people of our province face and the hopes they have for the future. The meetings with women, youth, entrepreneurs and aboriginal representatives deepened that understanding, enabling us to link the social, economic and environmental dimensions of the task we have undertaken.

"PEACE AND ECONOMIC JUSTICE"

Perspectives of Women

In the initial public sessions of the Royal Commission, it was evident that our meetings were dominated in numbers by men. Even where there were significant numbers of women, they did not fully participate in the discussion. While in many of our latter meetings this situation corrected itself, the Royal Commission felt uncomfortable with the unfolding situation. We decided, therefore, that in each community we visited we would ask for a separate meeting with women. Our objective was to ensure that we would get a greater understanding of women's perspectives on renewing and strengthening our place in Canada.

These meetings proved to be a fruitful approach and an enriching experience. At our public meetings, people seemed reluctant to discuss in any great detail some of the major social issues facing our province and country even though education and health were two of the most important issues placed on the agenda by meeting participants. The meetings with groups of women helped to fill this void as women addressed openly and frankly the day-to-day realities faced by people, families and communities in this province.

In these meetings, women spoke about the inadequate supports in our province for persons with physical or mental disabilities. They discussed the prevalence of adult illiteracy, high unemployment, poverty, physical and sexual abuse and their impact on persons and families. We heard about the inadequacies of the justice system for women who face issues related to family violence and child support. We were told about the continuing failure of governments to provide daycare centres and early childhood development opportunities. In one session we were reminded that there is often talk about improving and expanding food banks and building more women's shelters. The point is often missed that shelters and food banks are a sign of society's failure and the elimination of the need for such supports is the real objective.

In particular, we were given deeper insights on our culture of out-migration and its impact on the family and community. In our public meetings, participants discussed out-migration largely as an economic issue while in our meetings with women they discussed it from the point of view of its social impact. Out-migration, whether it refers to young people leaving or families moving away or spouses leaving temporarily for work, too often results in dysfunction in the family and in the community. These topics are dealt with more fully in our section on out-migration, but some comments from the women's meetings reflected the challenges in sustaining family and community life as out-migration continues.

One woman told us, "It breaks your heart to see your children leave, but it breaks your heart even more to see them stay in an environment where they have no opportunity." While there is a tendency to view Voisey's Bay as a great employment generator, women in Labrador reminded us about family tension created when the husband is absent for significant periods of time. In Port au Choix we heard that there was no longer enough men in the community between the ages of 18 and 35 to allow the continuation of the men's hockey league. In other areas, we heard of the recent discontinuance of teenage dances because there are too few teenagers. In many other areas, concern was expressed about the difficulty of maintaining a strong corps of volunteers.

Our meetings with women's groups allowed us a far greater appreciation of the reality that women's perspectives are essential if we are to fully understand our place in Canada. Through concrete expressions such as the month-long Minei-nipi walk led by Innu women, we learned about women's concerns for the health of our environment and the need always to consider the potential negative impacts of any development on our lands or waters. Participants at the meetings helped us see the links between the social and economic dimensions of the matters we are exploring. One woman stated, **"There can be no peace in a country or a province or a community where there is no economic justice."** Women told us that to view Voisey's Bay as a generator of employment without understanding the potential negative social impacts, to consider the development of the Lower Churchill without reviewing the negative impact on the environment, to understand the economic effects of out-migration without appreciating its negative impact on family and community life, or to assess the statistical dimensions of unemployment without recognizing the differing impacts on women and men would result in an incomplete foundation for our final report and recommendations.

Women reminded us that, despite the federal Royal Commission on the Status of Women thirty years ago, their voices are still not being heard. They told us that, even though there have been advances in many areas, women in Newfoundland and Labrador and in Canada have still not achieved equality with men. We also heard that women are not considered when public policy is being developed. It needs to be said, therefore, as our Commission moves towards its final report, that we will do whatever is possible to ensure that the voices and diverse experiences of both women and men of Newfoundland and Labrador are reflected in our recommendations on renewing and strengthening our place in Canada.

"WE HAVE NO CHOICE BUT TO LEAVE

Perspectives of Youth

Wherever the Commission visited, meetings with students in elementary, junior high and high schools were an essential step in our understanding the perspectives related to our place in Canada. It was particularly important for us to meet with the younger generation to get their views on the future of our province. On the Island, the overwhelming majority of young students proudly considered themselves

Newfoundlanders first and Canadians second. In Labrador, a similar overwhelming majority considered themselves Labradorians first, Newfoundlanders second and Canadians third.

In Point Leamington, elementary school children reminded the Royal Commission that a large number of their fathers had left the community to work in other provinces such as New Brunswick, Ontario and Alberta. They told us the Commission could only succeed in their eyes if we could find a way to have them employed at home. In New Wes Valley, when discussing the many ways in which the Royal Commission could pictorially reflect what was happening in our province, one young student suggested the picture of a U-Haul because it was such a prevalent sight in her own community.

In terms of cultural identity, whether it was urban or rural, the predominant message to the Royal Commission from youth was the crucial importance of their sense of place and their attachment to Newfoundland and Labrador as their home. In terms of image and how we are viewed in Canada, there was an overriding view that we are badly misunderstood though looked upon with affection. The determination of young students to improve this image was evident. What we heard was that they wanted to progress to higher levels of educational achievement, achieve success in the workplace and enjoy standards of living comparable with other parts of Canada. Without doubt, however, a most startling revelation for the Royal Commission was the almost unanimous view of young people that their opportunities for the future lay outside the fishery, outside rural Newfoundland and Labrador and outside their own province.

There was a sense that our young people's love of the province could be embraced by regular visits home but that their love of life would have to be fulfilled elsewhere. One student emphatically told us, **"We love home, but we have no choice but to leave."** This regretful lack of choice was a consistent message that the Commission received throughout our meetings with young students, a message which was confirmed in our meetings with women's groups and the public in general.

The level of understanding of our youth about their place in Canada can be described as encouraging. They did not hesitate to wade into issues such as custodial management, the state of the fishery, equalization or the joy of being part of a distinct society like Newfoundland and Labrador. Some of our most dramatic moments with students occurred during discussions regarding Churchill Falls where it was described variously as "a scam" or as "treachery". One student exclaimed in frustration, "it should have been ours". Whether they were in Labrador or on the Island, there was an understanding by the students that they were not just Newfoundlanders or Labradorians or even Canadians but young people whose opportunities were global.

"BEDROCK OF OUR SHARED FUTURE"

Aboriginal Concerns

The Commission heard from the Innu, Inuit, Labrador Métis and Mi'kmaq that Newfoundland and Labrador cannot effectively renew and strengthen its place in Canada without understanding, renewing and strengthening the relationships between the Province and aboriginal peoples. There was a sense expressed at our meetings that the Government of Canada wilfully ignored their responsibilities under the Canadian Constitution by not assuming jurisdiction for the administration and management of aboriginal affairs in Newfoundland and Labrador as they have done in every other province. Aboriginal peoples said that they were abandoned by the process leading to Confederation, and fifty-four years later they remain involved in a struggle to find their rightful place not only in Newfoundland and Labrador but in Canada.

Women in aboriginal communities told us that the voices and experiences of aboriginal women are not being given adequate consideration as land claims and economic development are being addressed. They spoke to us about the negative social impact of events such as the forced settlement of the Innu people in the 1950s and the forced resettlement of the Inuit people from Hebron and Nutak in the same time period. They expressed concerns that current approaches are not addressing their desires to protect their connections to the land, their family structures, their values and their culture.

In Nain we were told, **"The bedrock of our shared future** lies in very fundamental principles - principles such as respect, dignity, land rights, self determination, sharing and mutual support - which need to be applied in daily life within the Province and within Canada."

ENTREPRENEURIAL DRIVE

Business Visits

During our public consultation process, we visited businesses in all areas of the province to get a better sense of entrepreneurship, particularly in rural Newfoundland and Labrador. The business ventures were amazingly diverse and included primary and secondary processing of seafood, the production and marketing of wines from wild berries, the production of food products and syrups from wild berries, the manufacturing of windows, the manufacturing of industrial gloves and boots, the quarrying of dimension stone, the industrial sawing and polishing of dimension stone, the manufacturing of cabinets, furniture and wood mouldings; the provision of eco-tourism services, the manufacturing of education software, the secondary processing of seal products, facilities associated with knowledge-based tourism, the production of fibreglass boats, the provision of aerospace services and the use of information technology by Smart Labrador.

The Commission was struck by the innovation of the entrepreneurs we visited. They told us about the entrepreneurial spirit and drive needed to overcome the challenges of establishing and maintaining businesses in rural settings. Based on what we heard, many business enterprises were hampered by the lack of high speed internet services in rural areas. The lack of entrepreneurial training in our educational system was seen to be an obstacle to be overcome in a highly competitive and knowledge-based economy. While we were given some examples of government assistance in beginning or sustaining these industries, we were also told by many entrepreneurs that government officials do not have a good understanding of the supports needed for the development of businesses in this province.

OUR PLACE IN CANADA

"No Way to Run a Federation"

Throughout our public meetings, there was great affection expressed for Canada and great pride about being Canadian. Based on what we heard, Newfoundlanders and Labradorians are fully cognizant of the enormous contribution that Canada has made to the well-being of their province since Confederation. Expenditures on public infrastructure such as roads, schools and hospitals have resulted in tremendous social and economic progress. The ongoing services and programs to which all Canadians are entitled in terms of health care coverage, education, social services and employment insurance attest to the benefits of being part of a great country. Canada's significant economic development expenditures, including its large investment in Hibernia, have contributed to the general level of prosperity being experienced in our province today. Based on what we heard, therefore, we believe that Canada is perceived as being good for Newfoundland and Labrador. It was also clear that people understood that, without equalization, Newfoundland and Labrador would be in dire straits.

This pride in being a part of Canada, however, was tempered by the consistent feeling that there is a lack of respect, on the part of the federal government and other Canadians, for the people of Newfoundland and Labrador and for the contributions they have made to Canada. People spoke to us, with both passion and frustration, about those contributions. In addition to making an incomplete nation whole with our geography, we have brought a wealth of human and natural resources to our country. There is a belief that we are viewed by many in Canada as forever taking from Confederation while giving very little back in return. In almost every public meeting, the Commission was asked to set the record straight. We heard that there is an urgent need to conduct a comprehensive and independent assessment of Newfoundland and Labrador's contribution to Canada as part of our research program.

We also heard that the federal government consistently ignores the interests and ideas of Newfoundland and Labrador on key issues. During the short period of our public consultations, three federal Ministers carried out actions that people pointed to as examples of the lack of respect paid to Newfoundland and Labrador:

- First, the federal Minister of Transport appointed four new members to the Board of Marine Atlantic. None were from Newfoundland and Labrador. That decision, and the gulf ferry service in general, became a lightning rod at our meetings for articulating inappropriate treatment at the hands of the Government of Canada.
- Second, the federal Minister of Fisheries and Oceans, without even the courtesy of briefing the Government of Newfoundland and Labrador, informed the Liberal Atlantic Caucus about a potential closure of the fishery which, if implemented, would have disastrous consequences for many parts of rural Newfoundland and Labrador. This, too, produced a blistering backlash within our province regarding the kind of callous treatment we receive on crucial issues respecting our future and our place in Canada.
- And, finally, the federal Minister of Industry proposed that offshore oil and gas revenues associated with developments in Nova Scotia and Newfoundland and Labrador should be set aside for the benefit of the entire Atlantic Region. The reaction in our own province was as swift as it was negative. We were told that it was incredible that revenues from our resources were seen, in the eyes of the Government of Canada, to be useful for purposes beyond helping Newfoundland and Labrador achieve some reasonable level of prosperity. As one person put it, **"This is no way to run a federation.**

Our public meetings told us that there is a sense we gave up our nationhood only to become just another part of Atlantic Canada. We are treated on a formula basis as 1.7% of the population of Canada and as politically irrelevant with only seven seats in the House of Commons and six seats in the Senate. No one from this province has been appointed to the Supreme Court in fifty-four years. There were many suggestions for potential reform led by the articulation of the need for a "Triple E" Senate. Based on what we heard, there appears to be an undeniable sense that everywhere Newfoundland and Labrador turns within Confederation the odds are stacked against its achieving prosperity comparable with other provinces.

Fishery Calamity

One issue which arose consistently in all public meetings was a clear and deep understanding that the economy of rural Newfoundland and Labrador in the past, present and future depends on the fishery. Given the collapse of the groundfish in the late 1980s and the early 1990s and the lack of recovery since, participants told us that rural fishing communities remain in a state of crisis and severe agitation. The challenge presented by the continued decline in fish stocks has manifested itself in the demand for "custodial management". It was a meaningful way for participants in our meetings to send out a loud wake-up call that without some kind of plan for a recovery in the groundfish fishery, **there will be an even greater calamity in rural Newfoundland and Labrador in the next decade**. At our meeting in Marystown, we were told that people in the fishery had lost their spirit to fight and were simply scared about "who will be next". This comment was in reference to further groundfish quota reductions and the vulnerability of the crab and shrimp stocks to future decline.

At many of our meetings, there were references to the causes of the groundfish demise including (i) inadequate science, (ii) improved technology, (iii) too many processing licenses, (iv) too many harvesters, (v) too much reliance on the fishery as an employer of last resort, (vi) heavy reliance on the employment insurance program to sustain communities and people, (vii) too much political pressure to keep quotas high, (viii) relentless foreign over-fishing, (ix) lack of action on seal populations , and (x) a general reluctance to come to grips with the reality of the declining resource because of the unthinkable result. In other words, there is recognition of a collective responsibility for the loss of the fishery.

Notwithstanding this collective responsibility, however, we heard that with Confederation the Federal Government assumed responsibility for the overall management of the fishery. Five decades later, under their stewardship, that fishery has for all intents and purposes disappeared. We heard that it is time for the Government of Canada to take overall responsibility for what has happened in the fishery, responsibility for doing whatever is possible to bring about a recovery in the fishery, and responsibility for dealing with the fallout should that recovery not take place. People continually told us that, in our relationship with Canada and our overall progress as a province since Confederation, there is no greater issue than the loss of the fishery and its impact on the fabric of our fishing society. Out-migration, dying communities, loss of a way of life, and loss of dignity in rural Newfoundland and Labrador were all articulated in our public meetings as part of the dynamic related to the mismanagement of the fishery by the Government of Canada.

Loss of Offshore Royalties

The sense that something is not quite right in the federation manifested itself in what we heard over and over again with respect to many issues but especially equalization, the Atlantic Accord, custodial management, and the Churchill River. With respect to equalization, the constant use of the term "clawback" reflected a general understanding that the equalization formula was not working as it could to the advantage of Newfoundland and Labrador. What we heard was that no matter how you look at it, the combined impact of the Government of Canada's interpretation of the Atlantic Accord and the workings of the equalization formula results in over 80% of offshore taxes and royalties going to the Government of Canada.

We heard it remains exasperating to Newfoundlanders and Labradorians that the very equalization formula which was set up to help provide public services at a level comparable to the rest of Canada is now being utilized to ensure that this can not happen. We were also reminded that a recent Senate Committee Report calls for a change in arrangements with the offshore gas and oil producing provinces of Nova Scotia and Newfoundland and Labrador.

Churchill Falls Backlash

If there were expressions of frustration and in some cases outrage over the perverse impact of the Atlantic Accord and the equalization formula, there was an equally deep backlash over the historic inequities associated with the development of the Churchill Falls hydro-electric project. At most of our public meetings, the lost windfall profits from Churchill Falls, the total control exercised by Québec over the Churchill River, the failure of the provincial government of the time to negotiate a better contract and, just as significantly, the role played by the Government of Canada in the original deal by denying a power corridor through Québec, all emerged as significant issues. There is a sense that Ottawa has escaped any accountability for treating the transmission of oil and gas from Alberta in one way and electricity from Newfoundland and Labrador in another. There is also a strong feeling that, had the situation been reversed, Canada would never have allowed Newfoundland and Labrador to have exercised a geographic stranglehold over Québec's hydro-electric resources.

In several meetings, we heard that Newfoundland and Labrador should pursue its constitutional rights under Section 92A of the *Constitution Act, 1867* to access power and energy from Churchill Falls for industrial purposes in Labrador and on the Island. In a dramatic discussion with students in Port Saunders, one young woman described the Churchill Falls contract as "Québecers mooching on Newfoundlanders." Another student, realizing that the contract would not expire until her fifty-eighth birthday, pleaded with the Royal Commission to "do something about this!"

OUR PLACE IN OUR PLACE

Our Sense of Place

Much of what we heard during the course of our consultation process focused on "our place in our place" and not just our place in Canada. We were told that Newfoundlanders and Labradorians consider themselves blessed with a sense of place and a sense of belonging. They have a deep rooted feeling that their province is the best place in the world to live and raise a family. They care about community and value a lifestyle which balances work and time with family and friends. People of our province have a passionate appreciation of their cultural and artistic heritage, and they enjoy a strong sense of connection to the land and the sea. They believe that their fishing history is an integral part of their very being. It was clear to the Commission, based on what we heard, that the sense of attachment to this place remains remarkably strong.

The Urban - Rural Divide

We were told, however, that the loss of the fishery has had a profound and dramatic impact on the psyche of all Newfoundlanders and Labradorians. It also has resulted in a dramatic disparity between rural and urban areas. This disparity was the focus of much discussion in many of the areas visited by the Commission. We were reminded so often that there is a significant economic divide between the communities in and around the capital city of St. John's and elsewhere in the province. At the present time, about 45% of the people in Newfoundland and Labrador reside within an hour's drive from St. John's.

It was also made clear that headlines like "the rock is on a roll" or "Newfoundland and Labrador leads the nation in GDP growth" have little meaning to people in rural areas on the Island or in Labrador. Indeed, on the Great Northern Peninsula, with one of the highest levels of out-migration and unemployment, there was an attempt to have people boycott our public meetings in order to bring greater attention to the economic disparity between that region and the rest of the province.

During the course of our public consultation process, the fiscal challenges facing Newfoundland and Labrador were also highlighted. Based on what we heard, people understand that the Province is experiencing significant fiscal deficits and an ever increasing debt load. The relatively weak fiscal capacity of the Province reflected itself in the major concerns expressed about the state of health care, the education system and municipal infrastructure. We heard that population decline means both a weaker tax base and lower equalization payments.

Culture of Out-migration

As a Commission, we heard many first hand accounts related to the impact of out-migration. In the last decade, over 60,000 Newfoundlanders and Labradorians have gone elsewhere to seek employment opportunities. While out-migration from rural areas is a worldwide phenomenon, based on what we heard, it has had and will continue to have a disproportionate impact on this province.

Out-migration is found in many forms. In Newfoundland and Labrador, as elsewhere, it is primarily driven by the lack of employment opportunities and the need to move elsewhere to make a living and raise a family. From what we heard, there are also many youth who, heavily burdened with student-debt, see opportunities to pay off that debt at a faster pace by out-migrating to other provinces where they can earn higher incomes and pay lower taxes. We heard that many men and women, sometimes with their families and sometimes without them, are leaving the province to work for extended periods of time elsewhere in Canada and that these forms of migrant work do not show up in economic statistics.

Given the manner in which our rural way of life, particularly in fishing communities, is such an incredibly rich and essential part of the fabric of our society, the message we received was that out-migration will be ignored at our peril. Based on what we heard, out-migration, low birth rates, low levels of rural services and high costs of rural transportation all present major challenges for the future of rural Newfoundland and Labrador.

In all of our school visits, it became extremely clear that our young students see their future careers outside rural Newfoundland and Labrador and, in many cases, outside their own province. Parents and teachers are encouraging youth to leave because of the lack of opportunities in their own communities. We were told that this environment was leading to a **culture of out-migration**. As one group put it in our public meeting in Clarenville, "What if we educate our youth and they leave? What if we do not educate our youth and they stay?" The Commission challenged with, " How do we educate our youth and create opportunities for them to stay?"

From what we heard, this whole process has been fast forwarded by the impact of the groundfish moratorium imposed in the early 1990s. The fishery, in particular, is no longer seen as a viable future employer for rural youth. Moreover, we were told that there is a "next wave" of out-migration which will escalate over the next decade as parents follow their children and grandchildren while maintaining their houses in Newfoundland and Labrador as vacation homes.

It is evident that Newfoundlanders and Labradorians always moved elsewhere to seek employment opportunities. Indeed, Fort McMurray, Alberta, was referred to in our public meetings as our province's second largest city because of the thousands of Newfoundlanders and Labradorians who have moved there and now call it home. The significant difference over the last decade is the dramatic decline in the birth rate which today is one of the lowest in North America. It is the combination of a high rate of out-migration and a low birth rate which has led to such a rapid population decline in recent years.

Undercurrent of Alienation in Labrador

There was a strongly held view that much remains to be done if Newfoundlanders and Labradorians are able to feel confident and comfortable in their own province. This kind of sentiment was frequently expressed in our public meetings throughout Labrador where 28,201 of the province's 521,200 people reside. To put it in the language of our public meetings, "Labrador feels as ignored by the Government in St. John's as Newfoundland and Labrador feels ignored by the Government in Ottawa." The views expressed reflected the concerns that unprocessed resources are being shipped out of Labrador. The power from Churchill Falls is being transmitted to Québec to create industrial jobs in that province. Wood from the forests in Labrador is being harvested and exported to sustain industrial jobs in the paper industry on the Island. Iron ore mined in Labrador is creating industrial jobs in Québec and Ontario. As one person told us, "The only railway in operation in our province today is the one taking iron ore from Labrador to Québec."

We also heard that the high cost of transportation, the lack of good air services, the lack of completion of the trans-Labrador highway, the high cost of electricity, particularly on the coast of Labrador, and a general feeling of being unappreciated dominate Labrador's place in Newfoundland and Labrador. It was made extremely clear to the Commission, therefore, that there is a strong **undercurrent of alienation** in Labrador.

There were, of course, very encouraging signs for Labrador, including the prospects for employment associated with Voisey's Bay. We were told that the prospect of the development of the Lower Churchill was supported by the business community, albeit conditional on significant power recall provisions for industrial and domestic purposes in Labrador. Many people were opposed to any further development of Churchill Falls based on environmental concerns. There were also many ideas proposed at our meetings for a fixed link from Labrador to the Island.

"WE SEEM TO HAVE LOST OUR PLACE"

Path to a Final Report

The Commission's mandate is to submit a final report by June 30, 2003. In this regard, our public consultation process has had a profound impact on our thinking. We were struck by the vast geography of the Island (111,390 km^2), Labrador (294,330 km^2), and our offshore waters (1,825,992 km^2); the magnificent beauty of the landscape, the richness and diversity of our cultures, the openness and warmth of the people, their attachment to their province and country, and their passion and determination to make their place in this land a better one for their children and grandchildren.

We heard a strong sentiment expressed that Newfoundland and Labrador has been struggling through the severe impact of (i) the unbearable loss of its fishery resource and the unfolding demise of its rural fishing society, (ii) the highest rates of unemployment and out-migration and the lowest birth rate in the country, (iii) the weakened state of its provincial finances, (iv) the perverse inability to utilize its own oil revenues for its own economic prosperity, (v) the continuing loss of windfall profits to Québec from its Churchill Falls hydro-electric resource, and (vi) the failure of the federal government to treat the province as an equal partner in Confederation.

If this struggle could be summarized in a single phrase, it is perhaps that, after fifty-four years, **"we seem to have lost our place in Confederation."** Some people told us we have never found it. There were strong feelings expressed that the federal government views Newfoundland and Labrador as part of the Atlantic region and no longer as the equal partner which joined Canada in 1949. Based on what we heard, there is a sense of uneasiness that the bureaucratic and political process in Ottawa has a strong bias towards diminishing the role of provinces.

We heard also that there are troublesome questions being raised by Newfoundlanders and Labradorians about Canada's place in their province. Do other Canadians understand what is happening in this province and the implications for its future? Does the federal government have a vision for its role in the future of Newfoundland and Labrador? Do our partners in the federation understand the significance of the disconnect between the resource richness that the Dominion of Newfoundland brought into Confederation in 1949 and its relatively weak economic position as a province in Canada today?

During the course of our meetings, there were many angry references to separation as well as reminders of the processes outlined in the *Clarity Act*. The overwhelming sentiment, however, was in favour of trying to make things better within Canada. Nevertheless, we were told that what is happening in our province, after fifty-four years in Confederation, needs serious attention if we are to attain dignity as a people and prosperity as an equal and respected partner in Confederation. In other words, we were told that the status quo is not an option. Something has to change!

The challenge facing the Commission as we travel the path towards our final report is to integrate all of what we heard with the input from our roundtables, research, written submissions and discussions with government officials. As we develop our findings and recommendations, we will keep in mind the view expressed at our meeting in Marystown where one participant implored us to take chances in our report, make it radical by our standards, and put it in the face of criticism so it is not just "a small voice in the crowd". We will also be guided by the many expressions we heard that, as Newfoundlanders and Labradorians, **"we must take our own destiny into our own hands."**

Appendix D

Research Program

Research Papers

The Commission's Terms of Reference called for a research program to address key issues. In particular, the goals of the research program were (i) to provide information and an independent assessment of key issues in support of the analysis, conclusions and recommendations contained in the final Report; (ii) to generate fresh perspectives and new ideas on critical issues; and (iii) to provide the public with a body of information and analysis of important issues. The nature and extent of the Commission's research program were constrained by the time available and the requirement to have its final Report finished within a year of the Commission's beginning.

Most of the research contracted by the Commission consisted of research and analysis papers designed to provide a thematic overview of the issue to be addressed, a review of existing literature, an analysis of the state of knowledge on the issue, conclusions and, where relevant, policy options or recommendations for consideration by the Commission. A smaller number of research projects were more extensive and more original in research scope, including financial and economic analyses, and polls and other surveys. The externally contracted research projects were subject to peer review.

A total of 28 papers were commissioned, primarily from experts at either Memorial University of Newfoundland or other Canadian universities. In addition, a national opinion poll and a provincial opinion poll were commissioned. All of these papers are available in PDF file at *www.gov.nl.ca/royalcomm*. The views and analyses contained in these published papers remain the responsibility of the authors, and the views expressed do not necessarily reflect those of the Commission.

In addition to the published papers, the Commission received a number of background informational papers and presentations from government departments and agencies. The Commission expresses thanks to all those who prepared papers or made presentations. These were of significant assistance in the Commission's work.

List of Published Research Papers

Melvin Baker, Memorial University of Newfoundland, *Falling into the Canadian Lap: The Confederation of Newfoundland and Canada, 1945-1949*

Melvin Baker, Memorial University of Newfoundland, *History of Newfoundland and Labrador – Summary Chronology of Events*

Peter Gerald Bannister, Memorial University of Newfoundland, *The Politics of Cultural Memory: Themes in the History of Newfoundland and Labrador in Canada, 1972-2003*

Gerard Blackmore, *St. John's, Sense of Place: Loss and the Newfoundland and Labrador Spirit (Opinion Piece)*

Raymond Blake, University of Regina, *The Search Goes On: Rural and Regional Development Strategies in Canada*

Robin Boadway, Queen's University, *Options for Fiscal Federalism*

Craig Brett, Mount Allison University, *Demographic Trends and Implications for Public Policy*

The Centre for Spatial Economics, Consultants, Milton, Ontario, *Newfoundland and Labrador: An Assessment of This Province's Place in the Canadian Economic Union*

Jason Churchill, Cleo Research Associates, *Power Politics and Questions of Political Will: A History of Hydroelectric Development in Labrador's Churchill River Basin, 1949-2002*

John Crosbie, Patterson Palmer, *The 1985 Canada-Newfoundland Atlantic Accord*

Chris Dunn, Memorial University of Newfoundland, *Federal Representation of the People and Government of Newfoundland and Labrador*

Gwynne Dyer, London, *Assessing the Strategic Importance of Newfoundland and Labrador to Canada* (Opinion Piece)

Larry Felt, Memorial University of Newfoundland, *Small, Isolated and Successful: Lessons from Small, Isolated Societies of the North Atlantic*

Roger Gibbins, Canada West Foundation, *Assessing Newfoundland and Labrador's Position on Canada's Evolving Federalism Landscape*

Maura Hanrahan, Consultant, St. John's, *The Lasting Breach: The Omission of Aboriginal People from the Terms of Union Between Newfoundland and Canada and Its Ongoing Impacts*

Joanne Hussey, Consultant, Clarenville, *The Changing Role of Women in Newfoundland and Labrador*

Wade Locke and Scott Lynch, Memorial University of Newfoundland, *What Does Newfoundland and Labrador Need to Know About the Knowledge-Based Economy to Strengthen Its Place in Canada?*

Stephen May, Patterson Palmer, *The Terms of Union: An Analysis of Their Current Relevance*

David Norris, Consultant, St. John's, *The Fiscal Position of Newfoundland and Labrador*

P. J. Gardiner Institute, Memorial University of Newfoundland, *Built to Last: Entrepreneurial Success Stories of Newfoundland and Labrador*

Ross Reid, St. John's, *We Can Do Better, We Must Do Better.* (Opinion Piece)

George Rose, Fisheries and Marine Institute of Memorial University of Newfoundland, *Fisheries Resources and Science in Newfoundland and Labrador: An Independent Assessment*

Phillip Saunders, Dalhousie University, *Straddling Stocks: Policy Options*

Donald Savoie, Université de Moncton, Les Consultations Julaux Inc., *Reviewing Canada's Regional Development Efforts*

Denis Stairs, Dalhousie University, *The Conduct of Canadian Foreign Policy and the Interests of Newfoundland and Labrador*

Stephen Tomblin, Memorial University of Newfoundland, *Atlantic Region Integration Options*

David Vardy, Consultant, St. John's, and Eric Dunne, Consultant, St. John's, *New Arrangements for Fisheries Management in Newfoundland and Labrador*

Miriam Wright, Acadia University, *Background Paper – Newfoundland and Labrador History in Canada, 1949 - 1972*

Public Opinion Polls

As part of its research program, the Commission also commissioned two opinion polls: a national poll and a provincial poll.

National Poll

The poll was conducted by POLLARA Inc. Interviews were conducted with 1,275 adult Canadians living outside the province of Newfoundland and Labrador. The purpose of the survey was to explore attitudes and perceptions on the following issues:

- The image of Newfoundland and Labrador in Canada
- Perceptions of contributions of Newfoundland to Canada
- Perception of contributions of Canada to Newfoundland and Labrador
- Values of federalism
- Representation in the federation
- The economic and social status of rural and urban communities

Provincial Poll

The poll was conducted by Ryan Research and Communications. Interviews were conducted with 1,000 adult residents of Newfoundland and Labrador. The purpose of the survey was to:

- Investigate satisfaction with the province's place in Canada
- Investigate satisfaction with the province's relationship with the federal government
- Elicit input on the strengths and weaknesses of the province that should be focused on or addressed in order to achieve prosperity and self-reliance in the future.

The results of these polls are available in PDF file at *www.gov.nl.ca/royalcomm*

The Commission expresses gratitude to all those who prepared and carried out the two polls. These polls gave the Commission important perspectives from Newfoundlanders and Labradorians as well as from Canadians outside our province.

Appendix E

Staff of
the Royal Commission on Renewing and Strengthening
Our Place in Canada

COMMISSIONERS

Victor L. Young, O.C. (Chair)
Elizabeth M. Davis, RSM
Hon. James Igloliorte

DEPUTY MINISTER

Barbara Knight

RESEARCH DIRECTOR

Douglas Brown

LEGAL COUNSEL

Adam T. Sparkes

MANAGER OF OPERATIONS

Brent Meade

RESEARCH TEAM

Dave Norris
James Feehan
Rhonda Burke
Jodi Oliver

PRODUCTION TEAM

Ronalda Steele
Gerard Blackmore

ADMINISTRATIVE SUPPORT

Jacquie Brown
Mabel Macpherson

LOGISTICS

Roger Samson

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Notes

NEWFOUNDLAND
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1969, Serigraph, 8/12
Memorial University of Newfoundland Permanent Collection
Art Gallery of Newfoundland and Labrador, The Rooms

Endnotes

Preface - What Is This Place That Holds Fast Our Hearts?

1. Title taken from the song "What Is This Place?" Gerard Blackmore, 1999. Used with permission of the author.

2. The Centre for Spatial Economics, *Newfoundland and Labrador: Toward an Assessment of the Benefits of the Canadian Economic Union*. Research Paper for the Royal Commission on Renewing and Strengthening Our Place in Canada, 2003.

3. Much of the historical detail in this chapter is to be found on the Web site entitled *Newfoundland and Labrador Heritage*, developed by Memorial University of Newfoundland and the C.R.B. Foundation, 1997, see: *http://www.heritage.nf.ca*.

4. Sandra Gwyn, "The Newfoundland Renaissance," *Saturday Night*, April 1976, pp. 40-41.

5. Sandra Gwyn, 1976.

6. Gwynne Dyer, *The Strategic Importance of Newfoundland and Labrador to Canada*. Opinion Piece for the Royal Commission on Renewing and Strengthening Our Place in Canada, 2003.

7. POLLARA Inc., *A Report on Perceptions of Newfoundland and Labrador.* Prepared for the Royal Commission on Renewing and Strengthening Our Place in Canada, 2003.

8. Gerard Blackmore, *Sense of Place*. Research Paper for the Royal Commission on Renewing and Strengthening Our Place in Canada, 2003.

9. Gerard Blackmore, 2003.

10. Written submission to the Royal Commission on Renewing and Strengthening Our Place in Canada from an individual.

11. Association of Heritage Industries, Newfoundland and Labrador, written submission to the Royal Commission on Renewing and Strengthening Our Place in Canada, 2002.

12. Gerard Blackmore, 2003.

Introduction

1. Taken from the title of the book *This Marvellous Terrible Place: Images Of Newfoundland and Labrador* by Yva Momatiuk and John Eastcott, Camden East, Ont.: Camden House Publishing, 1988.

Chapter 1 - A New Partnership

1. Ryan Research and Communications, *Provincial Opinion Study*. Prepared for the Royal Commission on Renewing and Strengthening Our Place in Canada, 2003.

2. Ross Reid, *We Can Do Better, We Must Do Better*. Opinion Piece for the Royal Commission on Renewing and Strengthening Our Place in Canada, 2003.

Chapter 2 - Expectations As We Joined Canada

1. Melvin Baker, *Falling into the Canadian Lap: The Confederation of Newfoundland and Canada, 1945-1949*. Research Paper for the Royal Commission on Renewing and Strengthening Our Place in Canada, 2003.

2. See also: Peter Neary, *Newfoundland in the North Atlantic World, 1929-1949*. Montreal & Kingston: McGill-Queen's University Press, 1988; and John FitzGerald, ed., *Newfoundland at the Crossroads: Documents on Confederation with Canada*. St. John's: Terra Nova Publishing, 2002.

3. Both Newfoundland and Canada were described as Dominions in the Balfour Declaration of 1926 and in the Statute of Westminister of 1931.

4. James Hiller, "Confederation Defeated: The Newfoundland Election of 1869," in Hiller and Neary, eds., *Newfoundland in the Nineteenth and Twentieth Centuries: Essays in Interpretation*. Toronto: University of Toronto Press, 1980, pp. 67-94, referenced in Melvin Baker, *Falling into the Canadian Lap*, 2003. Talks between Canada and Newfoundland regarding Confederation failed in 1895. See: Melvin Baker, *Chronology of Key Events*. Research Paper for the Royal Commission on Renewing and Strengthening Our Place in Canada, 2003.

5. Melvin Baker, *Falling into the Canadian Lap*, 2003.

6. Peter Neary, 1988, pp. 8-15; S.J.R. Noel, *Politics in Newfoundland*. Toronto: University of Toronto Press, 1971, pp. 149-214, discussed in Melvin Baker, *Falling into the Canadian Lap*, 2003.

7. Melvin Baker, *Falling into the Canadian Lap*, 2003.

8. Newfoundland Act, 1933 (UK).

9. James Hiller, *Confederation: Deciding Newfoundland's Future, 1934 to 1949*. St. John's: The Newfoundland Historical Society, 1998, p. 8.

10. The election of a Labradorian to the National Convention marked the first time Labrador had its own representative in a local elected body.

11. Paul Bridle, ed., *Documents and Relations Between Canada and Newfoundland, Vol. 2, 1940-1949*. Ottawa: Supply and Services Canada, 1984, p. 198.

12. Melvin Baker, *Falling into the Canadian Lap*, 2003.

13. Peter Neary, 1988, pp. 311-312.

14. Peter Neary, 1988, p. 317.

15. A summary of this cost-benefit analysis is provided in Melvin Baker, *Falling into the Canadian Lap*, 2003.

16. Stephen May, *The Terms of Union: An Analysis of Their Current Relevance*. Research Paper for the Royal Commission on Renewing and Strengthening Our Place in Canada, 2003. A discussion of the dynamic of these negotiations is also provided in Melvin Baker, *Falling into the Canadian Lap*, 2003.

17. Term 2, as amended, says: "The Province of Newfoundland and Labrador shall comprise the same territory as at the date of Union, that is to say, the island of Newfoundland and the islands adjacent thereto, the Coast of Labrador as delimited in the report delivered by the Judicial Committee of His Majesty's Privy Council on the first day of March, 1927, and approved by His Majesty in His Privy Council on the twenty-second day of March, 1927, and the islands adjacent to the said Coast of Labrador."

18. Term 32(1) says: "Canada will maintain in accordance with the traffic offering a freight and passenger steamship service between North Sydney and Port aux Basques, which, on completion of a motor highway between Corner Brook and Port aux Basques, will include suitable provision for the carriage of motor vehicles."

19. Terms 46, as amended, says: "(1) Oleomargarine or margarine may be manufactured or sold in the Province of Newfoundland and Labrador after the date of the Union and the Parliament of Canada shall not prohibit or restrict such manufacture or sale except at the request of the Legislature of the Province of Newfoundland and Labrador, but nothing in this Term shall affect the power of the Parliament of Canada to require compliance with standards of quality applicable throughout Canada. (2) Unless the Parliament of Canada otherwise provides or unless the sale and manufacture in, and the interprovincial movement between, all provinces of Canada other than Newfoundland and Labrador, of oleomargarine and margarine, is lawful under the laws of Canada, oleomargarine or margarine shall not be sent, shipped, brought, or carried from the Province of Newfoundland and Labrador into any other province of Canada."

20. For example, Prince Edward Island's Terms of Union obligated the Government of Canada to operate a ferry service between P.E.I. and the mainland.

21. J.G. Channing, *The Effects of Transition to Confederation on Public Administration in Newfoundland*. Toronto: The Institute of Public Administration of Canada, 1982, p. 41.

22. The grants assured by Term 28 were transitional for a period of 12 years.

Chapter 3 - Experiences Within Canada

1. Statistics Canada, *Labour Force Survey*, May 2003.

2. The number of people employed in the province did increase somewhat, rising from 211.3 thousand in 2001 to 213.9 thousand in 2002. However, that increase in employment is only a little over 1 per cent. The unemployment rate increased because that modest employment growth was smaller than the increase in the size of the labour force.

3. Government of Newfoundland and Labrador, Strategic Social Plan Office, *From the Ground Up*. St. John's: Government of Newfoundland and Labrador, 2003.

4. Lawrence Felt, *Small, Isolated and Successful: Lessons from Small, Isolated Societies of the North Atlantic*. Research Paper for the Royal Commission on Renewing and Strengthening Our Place in Canada, 2003.

5. Miriam Wright, *Newfoundland and Labrador History in Canada, 1949-72*. Research Paper for the Royal Commission on Renewing and Strengthening Our Place in Canada, 2003.

6. Jerry Bannister, *The Politics of Cultural Memory: Themes in the History of Newfoundland and Labrador in Canada, 1972-2003*. Research Paper for the Royal Commission on Renewing and Strengthening Our Place in Canada, 2003.

7. For the most recent data, see the results reported by Ryan Research and Communications, *Provincial Opinion Survey*. Prepared for the Royal Commission on Renewing and Strengthening Our Place in Canada, 2003.

8. The following is based on the discussion in Peter Neary, *Newfoundland in the North Atlantic World 1929-1949*. Montreal & Kingston: McGill-Queen's University Press, 1988, Chapter 12. See also Roger Gibbins, *Assessing Newfoundland and Labrador's Position on Canada's Evolving Federalism Landscape*. Research Paper for the Royal Commission on Renewing and Strengthening Our Place in Canada, 2003.

9. See: Rand Dyck, *Provincial Politics in Canada*, 3rd edition. Scarborough: Prentice-Hall, 1996, p. 646.

10. Christopher Dunn, *Federal Representation of the People and Government of Newfoundland and Labrador*. Research Paper for the Royal Commission on Renewing and Strengthening Our Place in Canada, 2003.

11. For the annual figures from 1981 to 2000, see Figure 4 in The Centre for Spatial Economics, *Newfoundland and Labrador: Toward an Assessment of the Benefits of the Canadian Economic Union*. Research Paper for the Royal Commission on Renewing and Strengthening Our Place in Canada, 2003.

12. The Centre for Spatial Economics, 2003.

13. The Commission is aware that there is a considerable range for this estimate, and the paper by The Centre for Spatial Economics does incorporate lower-end and higher-end estimates. Nevertheless, this estimate is reasonable, and it is consistent with the findings of other independent studies that also conclude that the windfall resource revenues are several hundred millions of dollars annually. Jean-Thomas Bernard (*Hydroelectricity, Royalties and Industrial Competitiveness*, Discussion Paper No.93-04, School of Policy Studies: Queen's University, 1993), reports on the results of two such studies; one by Zuker and Jenkins (*Blue Gold: HydroElectric Rent in Canada*. Ottawa: Economic Council of Canada, 1984), and the other by Bernard, Bridges and Scott (*Our Evaluation of Potential Canadian HydroElectric Rents*, Resource Paper No. 78, Department of Economics, University of British Columbia, 1982).

14. Gwynne Dyer, *The Strategic Importance of Newfoundland and Labrador to Canada*. Opinion Paper for the Royal Commission on Renewing and Strengthening Our Place in Canada, 2003.

15. See: Peter Leslie and Richard Simeon, "The Battle of the Balance Sheets," in Richard Simeon, ed., *Must Canada Fail?* Montreal & Kingston: McGill-Queen's University Press, 1977.

Chapter 4 - Population Loss, Out-Migration and Rural Newfoundland and Labrador

1. Economic Council of Canada, *Newfoundland: From Dependency to Self-Reliance*. Hull, Quebec: Ministry of Supply and Services Canada, 1980, p. 5. This report points out that in 1942 there was full employment, which was sustained by a revival of export markets after 1945.

2. John N. Cardoulis, in his book entitled *A Friendly Invasion II: A Personal Touch* (Creative Publishers: St John's, 1993, p. 67), places this number at 25,000 women, while Joey Smallwood (*The Book of Newfoundland, Volume IV*. Newfoundland Publishers: St. John's, 1967, p. 534) places this number much higher, at 31,000 by the year 1958.

3. Since 1949, only one other province has had a significant decline in population. From 1968 until 1974, Saskatchewan's population fell. It also fell again from 1987 to 1991. The proportional declines were in each case less than Newfoundland and Labrador's. In addition, the declines were reversed after a few years, whereas this province's population is projected to decline modestly for the next 15 years (Government of Newfoundland and Labrador, *Demographic Change: Newfoundland and Labrador Issues and Implications*. St. John's: Economic and Statistics Branch, Department of Finance, April 2002).

4. Craig Brett, *Demographic Trends and Implications for Public Policy*. Research Paper for the Royal Commission on Renewing and Strengthening Our Place in Canada, 2003. A striking statistic about the loss of our educated young involves those who attend university outside the province. According to Brett (2003), only 11.5 per cent of the 1986 cohort of those graduates were residing in Newfoundland and Labrador five years after graduation, and the figures for the 1982 and 1990 cohorts were not much better at just over 20 per cent.

5. Leslie Bella, *Newfoundlanders: Home and Away*. St. John's: Greetings from Newfoundland Ltd., 2002, pp. xiii-xiv.

6. Craig Brett, 2003.

7. Government of Newfoundland and Labrador, *Overview of Demographic Change*. St. John's: Economics and Statistics Branch, Deparment of Finance, June 2002.

8. Craig Brett, 2003.

9. Economic Council of Canada, 1980, p. 25.

10. Parzival Copes, *The Resettlement of Fishing Communities in Newfoundland*. Ottawa: Canadian Council on Rural Development, 1972, cited in Craig Brett, 2003.

11. Economic Council of Canada, 1980.

12. Dr. House's own account of the ERC is provided in J.D. House, *Against the Tide: Battling for Economic Renewal in Newfoundland and Labrador.* Toronto: University of Toronto Press, 1999.

13. Raymond Blake, *Regional and Rural Development Strategies in Canada: the Search for Solutions.* Research Paper for the Royal Commission on Renewing and Strengthening Our Place in Canada, 2003.

14. Lawrence Felt, *Small, Isolated and Successful: Lessons from Small, Isolated Societies of the North Atlantic.* Research Paper for the Royal Commission on Renewing and Strengthening Our Place in Canada, 2003. Here Felt stresses that it is crucial to remember that societies are not interchangeable, standardized creations.

15. For more information on these projects see: *Coasts Under Stress: http://www.coastsunderstress.ca;* the *Natural Resource Depletion and Health Project: http://www.mun.ca/cin/Depletion.html;* and *The Rural Economy, http://www.swgc.mun.ca/research/faculty-research.html.*

Chapter 5 - Social Inclusion In Newfoundland and Labrador

1. Jane Jenson, *Mapping Social Cohesion: The State of Canadian Research.* Ottawa: Canadian Policy Research, 1998, p. 6.

2. Steve Rosell et al., *Changing Maps: Governing in a World of Rapid Change.* Ottawa: Carlton University Press, 1995, as quoted in Judith Maxwell, *Social Dimensions of Economic Growth.* Eric John Hansom Commemorative Conferences, Vol. VII, University of Alberta, 1996.

3. Christa Freiler, *What Needs to Change? Towards a Vision of Social Inclusion for Children, Families and Communities – a Draft Paper Concept.* Toronto: Laidlaw Foundation, 2001, p. 35.

4. Government of Newfoundland and Labrador, *People, Partners and Prosperity: A Strategic Social Plan for Newfoundland and Labrador,* 1998.

5. Government of Newfoundland and Labrador, Strategic Social Plan Office, *From the Ground Up.* St. John's: Government of Newfoundland and Labrador, 2003. Introductory remarks by Roger Grimes.

6. David Vardy and Eric Dunne, *New Arrangements for Fisheries Management in Newfoundland and Labrador.* Research Paper for the Royal Commission on Renewing and Strengthening Our Place in Canada, 2003.

7. Joanne Hussey, *The Changing Role of Women in Newfoundland and Labrador.* Research Paper for the Royal Commission on Renewing and Strengthening Our Place in Canada, 2003.

8. David Vardy and Eric Dunne, 2003.

9. Joanne Hussey, 2003.

10. Joanne Hussey, 2003.

11. Joanne Hussey, 2003.

12. Bay St. George Women's Centre, *Taking Our Places: Phase 2, January to August 2002,* p. 21

13. Bay St. George Women's Centre, 2002, p. 21.

14. Christopher Dunn, *Federal Representation of the People and Government of Newfoundland and Labrador.* Research Paper for the Royal Commission on Renewing and Strengthening Our Place in Canada, 2003.

15. Labrador Inuit Association, written submission to the Royal Commission on Renewing and Strengthening Our Place in Canada, 2002.

16. Maura Hanrahan, *The Lasting Breach: The Omission of Aboriginal People from the Terms Of Union Between Newfoundland and Canada and Its Ongoing Impacts*. Research Paper for the Royal Commission on Renewing and Strengthening Our Place in Canada, 2003.

17. Maura Hanrahan, 2003.

18. Royal Commission on Renewing and Strengthening Our Place in Canada, *What We Heard*. Public Consultation Report of the Royal Commission on Renewing and Strengthening Our Place in Canada, 2003.

19. Ryan Research and Communications, *Provincial Opinion Study*. Prepared for the Royal Commission on Renewing and Strengthening Our Place in Canada, 2003.

20. POLLARA Inc., *A Report on Perceptions of Newfoundland and Labrador*. Prepared for the Royal Commission on Renewing and Strengthening Our Place in Canada, 2003.

21. Gwynne Dyer, *The Strategic Importance of Newfoundland and Labrador to Canada*. Opinion Piece for the Royal Commission on Renewing and Strengthening Our Place in Canada, 2003.

22. POLLARA Inc., 2003.

23. POLLARA Inc., 2003.

24. POLLARA Inc., 2003.

25. Ross Reid, *We Can Do Better, We Must Do Better*. Opinion Piece for the Royal Commission on Renewing and Strengthening Our Place in Canada, 2003.

26. POLLARA Inc., 2003.

27. Ryan Research and Communications, 2003.

28. Gwynne Dyer, 2003.

29. Newfoundland and Labrador Building and Construction Trades Council, written Submission to the Royal Commission on Renewing and Strengthening Our Place in Canada, 2003, p. 30.

Chapter 6 - Financial Position

1. These realities and our subsequent discussion of them in this chapter are based on the report of an independent fiscal advisor, David Norris, entitled *The Fiscal Position of Newfoundland and Labrador: An Independent Assessment of the Current State of and Prospects for the Province's Fiscal Position*. Research Paper for the Royal Commission on Renewing and Strengthening Our Place in Canada, 2003. All charts and tables in this chapter are based on this report.

2. "Taxpayer-Supported Debt" is a concept used by various credit-rating agencies and financial analysts in assessing public-sector debt.

3. These comparisons exclude the debt of self-supporting Crown agencies, such as hydroelectric corporations. Newfoundland and Labrador's public-sector debt before this exclusion totaled $7.9 billion as of March 31, 2003, which, combined with the unfunded pension liabilities, yields overall debt of $11.3 billion, or more than $21,000 per capita.

4. Fiscal capacity is a key determinant of a province's entitlement for transfers from the federal government under the equalization program, which will be discussed more extensively in Chapter 9.

5. This consolidated deficit of $286.6 million does not include borrowing for the purpose of funding pension liabilities. The 2003 Budget estimates additional, off-budget borrowing of $163.5 million for this purpose – see Statement II of the Budget. Some may argue that borrowing this $163.5 million is not a true increase in debt, but a conversion of an existing unfunded liability into a funded liability; nonetheless, the 2003 Budget is projected to result in an increase in the province's funded debt of some $450 million.

6. This assumption reflects the fact that the offshore projects are not "ring-fenced." That is, projects do not operate in isolation from a corporation's other operations throughout Canada. Corporate profits are determined on a Canada-wide basis, and these profits are then allocated to a province based on a formula. Corporate revenues, regardless of where earned in Canada, are offset against expenses, regardless of where incurred in Canada. Profit is determined on a corporate-wide basis, not on a project basis. Exploration or development expenses incurred elsewhere in Canada may reduce profit earned from a Newfoundland and Labrador project, reducing overall corporate profit levels. In addition, the formula used to allocate Canada-wide profits to individual provinces is an attempt to approximate where profits are earned, but is not precise. Against this background of external factors, it is difficult to assess whether or not the 25 per cent assumption will be indicative of the actual outcome.

Chapter 7 - Terms of Union

1. Since renamed the Newfoundland Act, 12 & 13, Geo. IV, c. 22, 1949 (UK).
2. Stephen May, *The Terms of Union: An Analysis of Their Current Relevance*. Research Paper for the Royal Commission on Renewing and Strengthening Our Place in Canada, 2003.
3. This point is discussed in P.W. Hogg, *Constitutional Law of Canada*, 3rd ed., Toronto: Carswell, 1992, pp. 102-103.
4. Stephen May, 2003.
5. *Re Mineral and Other Natural Resources of the Continental Shelf* (1983), 145 D.L.R. (3d) 9 (Nfld. C.A.); *Re Nfld. Continental Shelf*, [1984] 1 S.C.R. 86.
6. *Re Nfld. Continental Shelf.*
7. For a discussion of the history leading to the Atlantic Accord, see: John C. Crosbie, *Overview Paper on the 1985 Canada Newfoundland Atlantic Accord*. Research Paper for the Royal Commission on Renewing and Strengthening Our Place in Canada, 2003.
8. *Re Upper Churchill Water Rights Reversion Act*, [1984] 1 S.C.R. 297.
9. *Re Upper Churchill Water Rights Reversion Act*, p. 333.
10. *R. (Prince Edward Island) v. R. (Canada)*, [1978] 1 F.C. 533 (C.A.). The term in question stated that the Dominion government was to assume and defray all the charges for a number of services, including an "Efficient Steam Service for the conveyance of mails and passengers, to be established and maintained between the Island and the mainland of the Dominion, Winter and Summer, thus placing the Island in continuous communication with the Intercolonial Railway and the railway system of the Dominion..."
11. For a more detailed discussion of Term 17, see Stephen May, 2003.
12. In particular, the Commission has benefitted from reading Edward Tompkins, *Pencilled Out: Newfoundland and Labrador's Native People and Canadian Confederation, 1947-1954*. A report prepared for Jack Harris, MP, 1988; Stephen May, 2003; and Maura Hanrahan, *The Lasting Breach: The Omission of Aboriginal People from the Terms of Union Between Newfoundland and Canada and Its Ongoing Impacts*. Research Paper for the Royal Commission on Renewing and Strengthening Our Place in Canada, 2003.
13. Edward Tompkins, 1988, pp. 11-27.

Chapter 8 - The Evolving Nature of The Federation

1. Harvey Lazar "In Search of a New Mission Statement for Canadian Fiscal Federalism," *Canada: The State of the Federation, 1999-2000*. Kingston: Institute of Intergovernmental Relations, Queen's University, 2000.

2. Roger Gibbins, *Assessing Newfoundland and Labrador's Position in the Evolving Federal Landscape*. Research Paper for the Royal Commission on Renewing and Strengthening Our Place in Canada, 2003.

3. This analysis has been most fully developed by Canadian political scientist Alan C. Cairns. For example, see D. Williams, ed., *Reconfigurations: Canadian Citizenship and Constitutional Change*. Toronto: McClelland and Stewart, 1995.

4. R.L. Watts, *Comparing Federal Systems*, 2nd ed. Kingston: Institute of Intergovernmental Relations, Queen's University, 1999.

5. For a discussion of this differing treatment applied to the conduct of foreign policy see Denis Stairs, *The Conduct of Canadian Foreign Affairs and the Interests of Newfoundland and Labrador*. Research Paper for the Royal Commission on Renewing and Strengthening Our Place in Canada, 2003.

6. Christopher Dunn, *Federal Representation of the People and Government of Newfoundland and Labrador*. Research Paper for the Royal Commission on Renewing and Strengthening Our Place in Canada, 2003. See also: Herman Bakvis, *Regional Ministers: Power and Influence in the Canadian Cabinet*. Toronto: University of Toronto Press, 1991.

7. See: Donald Savoie, *Governing from the Centre: The Concentration of Power in Canadian Politics*. Toronto: University of Toronto Press, 1999; Jeffrey Simpson, *The Friendly Dictatorship*. Toronto: McClelland & Stewart, 2001.

8. Rex Murphy, commentary, "The East Coast Fishery," CBC, "The National," broadcast May 6, 2003, see: *http://www.cbc.ca/national/rex*

9. Christopher Dunn, 2003.

10. Christopher Dunn, 2003, Appendix 5.

11. This lack of federal presence outside Ottawa, compared with its concentration in the national capital, was recently stressed by federal Deputy Prime Minister John Manley in comments to the media in St. John's. VOCM "Open Line" program, Prime Communications Inc., "Electronic Media Transcripts,"April 16, 2003.

12. Margaret Conrad, *Mistaken Identities? Newfoundland and Labrador in the Atlantic Region*. The David Alexander Lecture, Memorial University, St. John's , March 27, 2003.

13. See: Stephen Tomblin, *Atlantic Region Integration Options*. Research Paper for Royal Commission on Renewing and Strengthening Our Place in Canada, 2003.

14. For a similar perspective, see the speech by New Brunswick Premier Bernard Lord to the 16th Annual Public Policy Forum, Toronto, April 10, 2003; and comments by Alberta Premier Ralph Klein to the same group on May 5, 2003.

15. See especially the final report of the Federal Royal Commission [Romanow] on the Future of Health Care in Canada, *Building on Values: The Future of Health Care in Canada*. Saskatoon, 2003.

16. For more on this issue see Denis Stairs, 2003. In addition, the Institute of Intergovernmental Relations, Queen's University, has undertaken research on the implications of global and regional integration for Canadian federalism and mechanisms for collaborative federal/provincial relations. See: *http://www.iigr.ca*.

17. The newly elected Premier of Québec, Jean Charest, has recently repeated his party's position to formalize First Ministers' and other intergovernmental relations through a Council of the Federation, and to provide substantial support to these mechanisms through strengthened intergovernmental secretariats.

18. This is known in European law as the principle of "subsidiarity."

Chapter 9 - Fiscal Federalism

1. See: Robin Boadway, *The Vertical Fiscal Gap: Conceptions and Misconceptions*. Research Paper for the conference on Canadian Fiscal Arrangements: What Works, What Might Work Better, May 16-17, 2002, Winnipeg, Manitoba (Institute of Intergovernmental Relations: www.iigr.ca).

2. Government of Québec, Commission on Fiscal Imbalance, *A New Division of Canada's Financial Resources*, 2002.

3. Conference Board of Canada, *Vertical Fiscal Imbalance: Fiscal Prospects for the Federal and Provincial/Territorial Governments*. July 2002.

4. For example, see: Roger Gibbins, *Shifting Sands: Exploring the Political Foundations of SUFA*. Institute for Research on Public Policy, 2001; and Alain Noel, *Power and Purpose in Intergovernmental Relations*. Institute for Research on Public Policy, 2001.

5. The national average tax rate incorporates all ten provinces, and each national average tax rate is a weighted average, where the weights reflect each province's revenue from the corresponding tax. Also, note that the revenue sources are "standardized," so they do not exactly coincide with each province's tax bases.

6. How equalization treats provincial natural resource revenues is an ongoing debate in Canada. See: Robin Boadway, *Options for Fiscal Federalism*, Research Paper for the Royal Commission on Renewing and Strengthening Our Place in Canada, 2003; and James Feehan, *Equalization and the Provinces' Natural Resource Revenues: Partial Equalization Can Work Better* (forthcoming through Institute of Intergovernmental Relations, www.iigr.ca, Queen's University, 2002) for recent perspectives. Also, see: Economic Council of Canada, *Financing Confederation: Today and Tomorrow*. 1982; Parliamentary Task Force on Federal-Provincial Fiscal Arrangements, *Fiscal Federalism in Canada*, 1981; and R. Boadway, F. Flatters and A. LeBlanc, "Revenue Sharing and the Equalization of Natural Resource Revenues," *Canadian Public Policy*, Vol.9, 1983.

7. See: Government of Canada, Department of Finance, *Federal Transfers to the Provinces and Territories*, February 2003, see: *http://www.fin.gc.ca*

8. Another federal institution that was supportive of this view was the Economic Council of Canada. See: Economic Council of Canada, *Financing Confederation: Today and Tomorrow*, 1982.

9. Australia's Commonwealth Grants Commission is an arm's length body that advises the central government on issues related to fiscal transfers.

10. Federal Royal Commission [Macdonald], *Report of the Royal Commission on the Economic Union and Development Prospects for Canada*. Ottawa: Minister of Supply and Services, 1985.

11. This discussion is drawn from Donald Savoie, *Reviewing Canada's Regional Development Efforts*. Research Paper for the Royal Commission on Renewing and Strengthening Our Place in Canada, 2003.

12. See, for example, Thomas J. Courchene, *Social Policy in the Millennium: Reform Imperatives and Restructuring Principles*. Toronto: C.D.Howe Institute, 1994; and Fred McMahon, *Retreat from Growth: Atlantic Canada and the Negative-Sum Economy*. Halifax: Atlantic Institute for Market Studies, 2000.

13. Donald Savoie, *Reviewing Canada's Regional Development Efforts*. Research Paper for the Royal Commission on Renewing and Strengthening Our Place in Canada, 2003.

Chapter 10 - Fisheries

1. David Vardy and Eric Dunne, *New Arrangements for Fisheries Management in Newfoundland and Labrador*. Research Paper for the Royal Commission on Renewing and Strengthening Our Place in Canada, 2003.

2. See Miriam Wright, *Newfoundland and Labrador History in Canada, 1949-72*. Research Paper for the Royal Commission on Renewing and Strengthening Our Place in Canada, 2003. See also, Economic Council of Canada, *Newfoundland: From Dependency to Self-Reliance*. Ottawa: Minister of Supply and Services, 1980.

3. Government of Canada, Task Force on the Atlantic Fishery. *Navigating Troubled Waters: A New Policy for the Atlantic Fisheries*. Ottawa: Supply and Services Canada, 1983, p. 23.

4. See: Newfoundland and Labrador All-Party Committee on the 2J3KL and 3Pn4RS Cod Fisheries. *Stability, Sustainability and Prosperity*. St. John's, March 17, 2003.

5. George Rose, *Fisheries Resources and Science in Newfoundland and Labrador: An Independent Assessment*. Research Paper for the Royal Commission on Renewing and Strengthening Our Place in Canada, 2003.

6. George Rose, 2003.

7. George Rose, 2003.

8. CBC News, *Report Recommends Virtual Shutdown of Northern Cod Fishery*. March 28, 2003.

9. Based on communication with a member of the Canadian delegation to the Law of the Sea negotiations in the 1970s.

10. The Honourable Robert G. Thibault, Minister of Fisheries and Oceans, *Preparing for NAFO*. Minister's Column, September 2002. See: *http://www.dfo-mpo.gc.ca*

11. House of Commons Standing Committee on Fisheries and Oceans, *Foreign Overfishing: Its Impact and Solution - Conservation on the Nose and Tail of the Grand Banks and the Flemish Cap*. Ottawa: Government of Canada, 2002.

12. Philip Saunders, *Policy Options for the Management and Conservation of Straddling Fisheries Resources*. Research Paper for the Royal Commission on Renewing and Strengthening Our Place in Canada, 2003.

13. David Vardy and Eric Dunne, 2003, Chapters 5 and 6.

14. See: Government of Newfoundland and Labrador news release and attachment of May 8, 2003, see: *http://www.gov.nf.ca/releases/2003*

15. David Vardy and Eric Dunne, 2003.

16. David Vardy and Eric Dunne, 2003.

Chapter 11 - The Regulation of Natural Resources, Atlantic Accord and Churchill River

1. Individual oil projects are not stand alone operations for tax purposes. Given the broad base of activities of most oil companies, the varying levels of profitability of their operations, as well as the numerous and diverse investment activities of the oil companies, it is extremely difficult to project the extent to which the taxes applicable to the income on any one project will be reflected in government's tax revenue receipts in any year. Accordingly, for the purpose of the analysis, a revenue stream based on 50 per cent of the full federal corporate income tax rate has been assumed.

2. Referenced in John C. Crosbie, *Overview Paper on the 1985 Canada-Newfoundland Atlantic Accord*. Research Paper for the Royal Commission on Renewing and Strengthening Our Place in Canada, 2003.

3. John C. Crosbie, 2003. This paper suggests that, taking account of corporate income that may be attributed through the federal/provincial tax collection system to other provinces, the provincial government's share of overall government revenues would be 12 per cent.

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2. Adele Poynter McNicholas, *An Analysis of St. Pierre et Miquelon's Status in the EU to Identify Opportunities for Newfoundland Companies*. Canada/Newfoundland Agreement on Economic Renewal, 1998.

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4. Gwynne Dyer, 2003.

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11. See: Government of Newfoundland and Labrador, Strategic Social Plan Office, *From the Ground Up*. St. John's: Government of Newfoundland and Labrador, 2003.

12. Newfoundland and Labrador Teachers' Association, written submission to the Royal Commission on Renewing and Strengthening our Place in Canada, 2002, p. 5.

13. Lawrence Felt, *Small, Isolated and Successful: Lessons from Small, Isolated Societies of the North Atlantic*. Research Paper for the Royal Commission on Renewing and Strengthening Our Place in Canada, 2003.

14. Wade Locke and Scott Lynch, *What Do We Need to Know about the Knowledge-Based Economy to Strengthen Our Place in Canada?*. Research Paper for the Royal Commission on Renewing and Strengthening Our Place in Canada, 2003.

15. Wade Locke and Scott Lynch, 2003.

16. It is worth noting that governments in other remote North Atlantic locations, such as Iceland, Greenland and the Faroes, have been proactive in ensuring that they are well served by air transport, including state ownership in the airline sector. See: Lawrence Felt, 2003.

17. Marine Atlantic, *Corporate Plan Summary 2003-2007*, p. 1.

18. Wade Locke and Scott Lynch, 2003. See also: Mario Polese *et al.*, *Periphery in the Knowledge Economy The Spatial Dynamics of the Canadian Economy and the Future of Non-Metropolitan Regions in Québec and the Atlantic Provinces*. Moncton: CIRRD, 2002.

19. Wade Locke and Scott Lynch, 2003.

20. Donald Savoie, *Pulling Against Gravity: Economic Development in New Brunswick during the McKenna Years*. Montreal: Institute for Research on Public Policy, 2001.

Appendix B

1. CPRN is a national think tank whose mission is to help make Canada a more just, prosperous and caring society. The dialogues were an adaptation of Viewpoint Learning's propriety Choice Work Dialogue methodology. This adapted methodology was used with permission.

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ii	Provincial Archives of Newfoundland and Labrador (PANL): A18-173
iv	Top: James Igloliorte Bottom Three: Newfoundland and Labrador Tourism
vi	Top: Wayne J. Tucker Bottom: Newfoundland and Labrador Tourism
vii	Ode To Labrador: Dr. H.L. Paddon Butter and Snow Productions
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24	Newfoundland and Labrador Tourism
35	Paul Chafe, The Muse
36	Newfoundland and Labrador Tourism
47	Far left: Strategic Social Plan, Labrador Region Middle: Newfoundland and Labrador Tourism Far right: Opening Doors Program, Government of Newfoundland and Labrador
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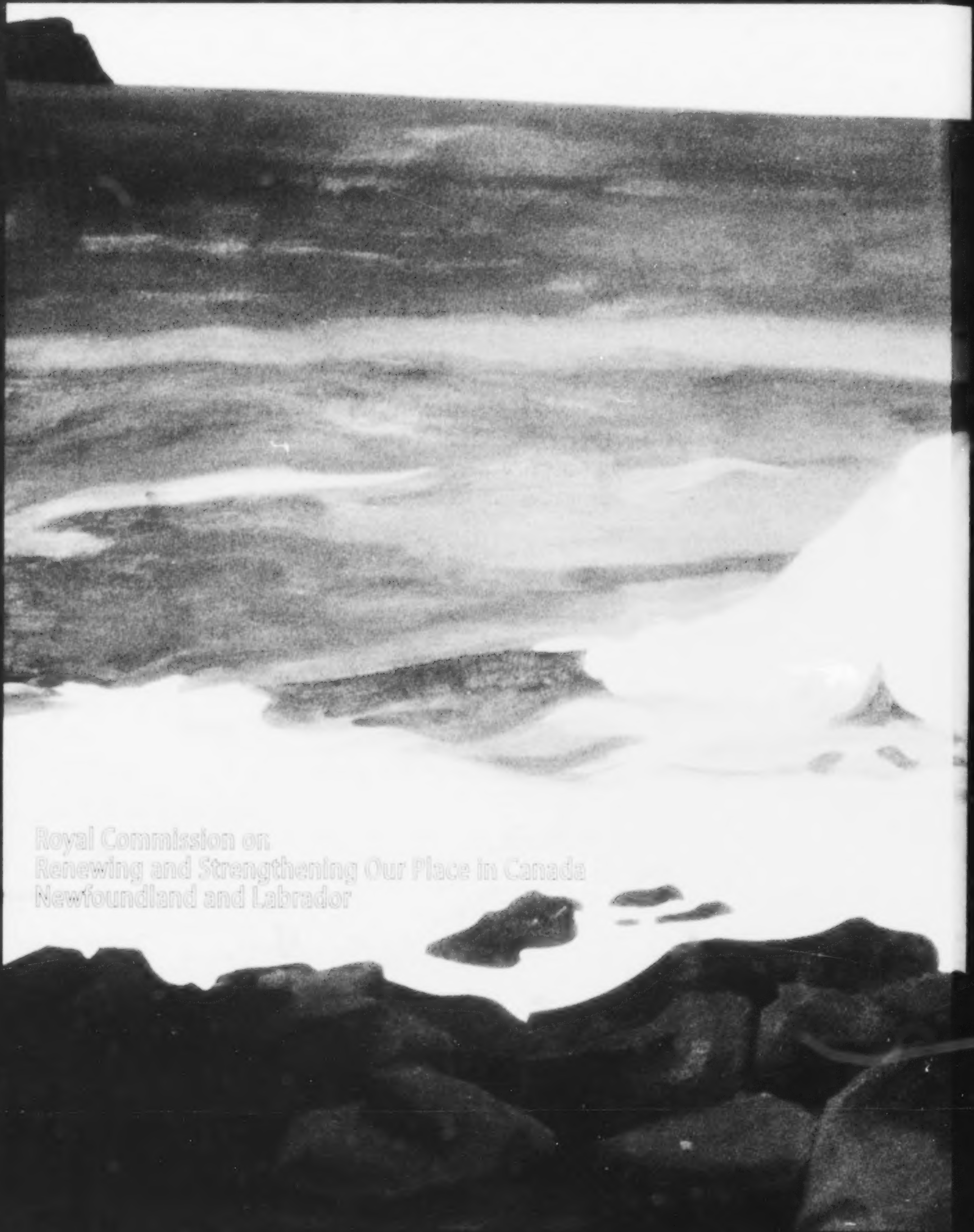
115	Right: Hibernia Management Development Corporation Left: Newfoundland and Labrador Hydro
116	Signing of the Atlantic Accord, 1985 Canadian Press St. John's Telegram (Kay Norman)
127	Natural Resources Canada
128	Tim Madden
141	Newfoundland and Labrador Tourism
142	Newfoundland and Labrador Tourism

Voices of the People collage (end of chapters): Northern Pen, Newfoundland and Labrador Tourism, Memorial University



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Newfoundland and Labrador